

Money, Space and Relationality: Rethinking the Venture Capital Industry in the East Midlands and the North East of England

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Abstract

This research is concerned with analysing a particular intersection of the financial system, the venture capital industry. It is based on a comparative study of two case study regions, the East Midlands and the North East of England which both secure low levels of venture capital investment relative to the rest of the UK. Using qualitative methods, this thesis studies entrepreneurs and professional finance agents who either supply finance or help entrepreneurs to seek it.

This thesis has two aims. Firstly, it seeks to understand the dynamics that underpin finance gaps (i.e. mismatches in the supply and demand of finance) by unveiling the financial knowledges embodied by the different agents involved in lending, and examining the different money cultures in which they operate. I argue that the production of finance gaps at the local level is far more complex and culturally nuanced than suggested by current research on regional development and venture capital suggest. I argue that finance gaps are underpinned by differences in the financial knowledges held by venture capitalists and entrepreneurs making it difficult for the two agents to intersect and do business together

Secondly, using a relational approach this research aims to produce an alternative way of conceptualising the processes and practices of the venture capital industry by recasting it as a networked and stretched out construction. By tracing the relational networks of connections that venture capitalists in the North East and East Midlands maintain across space and at a distance, I produce a more intricate, subtle and spatially refined theorisation of the venture capital industry. In so doing, I escape the more territorially bounded studies of the industry where regions can be seen as spatial 'containers' in which venture capital investment takes place.

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Introduction

1.1 Introduction

This thesis examines a particular intersection of the financial system, the venture capital industry. Specifically it gets beneath the flows of money and finance that characterise twenty first century views of capitalism and examines the cultures of lending between entrepreneurs and venture capitalists in the North East and East Midlands. Unveiling the embodied financial knowledges of different agents involved in lending and examining the money cultures of both venture capitalists and entrepreneurs will allow a better understanding of the dynamics that underpin finance gaps (i.e. differences between the demand for and supply of venture capital) and the ways in which they develop and operate. Ultimately this research argues that finance gaps are not solely produced by a spatial mismatch in the supply and demand for equity but instead are far more complex subtle and culturally nuanced than current research in regional development and venture capitalism suggests. This research argues that finance gaps are underpinned by differences in the financial knowledges held by venture capitalists and entrepreneurs therefore making it difficult for the two agents to intersect and do business together.

A secondary aim of this research is to rethink the ways in which economic geography conceptualises the venture capital industry. Using relational approaches to economic geography I aim to recast the industry as a stretched out and networked construction. To date most research into the venture capital industry has been concerned with mapping the spatial distribution of investments; far less attention has been focused on the behaviours and practices of venture capitalists, their micro-spaces of interactions and the networks of connections they maintain across space and at a distance. By tracing the relational

networks of venture capitalists in the North East and East Midlands this research will highlight the connections of each regional finance community, its linkages to decisive circuits of capital, knowledge and people in London and the South East and the influence of local institutional architectures on the two regional finance networks.

In terms of the third aim of this research, it concerns public policy towards venture capital investments. The research explores local entrepreneurs' experiences of seeking finance and becoming 'investment ready' i.e. the way in which entrepreneurs are educated about the requirements and expectations of investors. This research demonstrates the connectivity, behaviours and strategies of venture capitalists make a difference to the ability of local entrepreneurs being able to secure finance (Yeung 2005).

Outlined below are the main research questions:

1. What are the ecologies of interaction and socio-institutional architectures that characterise the professional finance community in the East Midlands and North East?
 - To what extent and in what ways does the co-location of finance agents within regions produce localised capabilities?
2. What is the spatial reach of these ecologies of interaction in the two study regions?
 - What are the mechanisms by which financial knowledge is transmitted across and within monetary networks?
3. In what ways do these ecologies of interaction and regional socio-institutional architectures affect how local entrepreneurs navigate their local financial landscapes, become 'investment ready' and ultimately obtain venture capital?

This research is based on a comparative study of two case study regions, the East Midlands and the North East of England. Within each region I engaged with two distinct

groups of agents; entrepreneurs seeking finance and professional finance agents who either supply finance or help entrepreneurs to seek it. To understand the complexities and subtleties involved in lending, semi-structured interviews were utilised. This empirical work was supported by non participant observation in regional institutions in the North East and East Midlands.

Although the study of venture capital and regional development remains relatively underdeveloped in comparison to some of the core economic geography topics such as innovation, learning regions, clusters and the knowledge economy, the important role that venture capital plays in underpinning vibrant innovative economies and supporting the entrepreneurial process is well established (Sunley and Klagge *et al* 2005, Mason and Harrison 2002, 2003). In some localities the availability of venture capital investment is perceived to have a propulsive effect on indigenous business and is recognised as playing an integral part in the development of local technological infrastructure (Florida and Smith 1995, Saxenian 1994). Given that venture capital investment can be used to prove a business concept, help start up a business or allow business expansion, a plausible argument is that in some places, venture capitalists are seen as both 'capitalists and catalysts' for regional development and are key agents who add to a locality's institutional thickness (Keeble and Wilkinson 2000, Mason and Harrison 2002, Amin and Thrift 1995).

To date, most of the work done on venture capital has been concerned with mapping the spatial distribution and take up of venture capital investment and drawing out the possible implications for regional development (Mason and Harrison 2002, 2003 Mason 1987). Attention has also been given to the distinct institutional geography of the finance industry more broadly, which has highlighted the way in which flows of money and finance, including equity, are geographically skewed and biased towards the City of London and the rest of the South East, thus arguably reinforcing the most economically dynamic part of the UK (Martin and Sunley 1995, Martin 1999, Mason 1987). The extreme concentration of both venture capital office location and funds invested in the South East pose significant challenges for the economic development trajectories of non-

core regions where local entrepreneurs may be at a disadvantage because they are unable to get comparable projects funded.

The spatial concentration of venture capital funds and investments in London and the South East, alongside the considerably lower firm start ups in the non core regions, prompted the UK government to inject a regional dimension to venture capital policy in 2002 by introducing Regional Venture Capital Funds (RVCFs) for each of the English regions managed by local fund managers who are assumed to have local knowledge about the area. By increasing the supply of equity in all the English regions this policy response reflected the government's perception that the low rate of business start up and successful development in the non core regions is partly attributable to a 'funding gap' in the availability of equity. Consequently the availability of venture capital occupies a prominent position in the UK policy agenda. As such, this research is very timely and of policy relevance.

While there is much to be learned from the work conducted so far on venture capital (for example; it highlights the spatially skewed institutional geography of the financial system and the decisive role it plays in shaping how venture capital is channelled across the space economy) these approaches fail to engage with the dynamics of money at the local level. The way in which venture capitalists and entrepreneurs intersect, come together and do business together remains neglected, or is reduced to information asymmetries or cast as 'cultural' factors in most literature (Martin 1999, Mason and Harrison 2002). This research subjects the venture capital industry to a much closer and fine-grained analysis, one which gets beneath the flows of money and finance to examine the financial knowledges that underpin them. It also sheds light on the critical role of venture capitalists as powerful gatekeepers in the regional economy channelling financial knowledge to local entrepreneurs.

Whilst extending the way in which we conceptualise the venture capital industry and its impact on both entrepreneurs and regional development, this research makes two significant empirical and theoretical contributions.

The first empirical contribution is that the thesis expands the range of locations considered. Most detailed and empirical studies of venture capital have concentrated on specific places where the venture capital industry is buoyant, works well and, from a regional development perspective, meets its remit by fostering indigenous business formation. This has led to a body of work that has focussed on the venture capital industry in Cambridge, UK (Klagge and Martin 2005, Keeble & Wilkinson, 2000, Sunley & Klagge *et al* 2005), Boston, USA (Babcock-Lumish 2003, 2004) and Silicon Valley (Saxenian 1994, Zook 2004). Although informative this empirical focus on the successful and exemplar regions can only provide a partial and situated picture of the venture capital industry. By choosing two regions, the North East of England and the East Midlands, which have similar but not identical industrial histories and are not well known for their buoyant venture capital industries, this research provides an alternative, but nonetheless fertile context to provide a nuanced comparison into how each set of regional financial institutions and actors attempt to harness and channel venture capital to underpin entrepreneurship. It will also allow comparisons of the preparation processes delivered by designated agents and institutions within each region whose remit is to coach local entrepreneurs to be 'investment ready' and 'match-make' entrepreneurs and investors via specific investment events. Such a focus will compliment studies on the positive role of finance in local development and instead explore finance in more challenging regional environments and produce an alternative financial narrative (Whatmore and O'Neill 2000).

A second empirical contribution is the original methodology I employ by which I refer to my engagement with entrepreneurs in two regions. Despite constituting the demand side in supply and demand discourses about venture capital, the experiences, behaviours and practices of entrepreneurs in seeking finance remains neglected. Engaging with two sets of local entrepreneurs either seeking or who have recently secured equity finance and examining how they interpret their local institutional environment remedies the neglect of entrepreneurs' experiences and provides an invaluable and empirical insight into the dynamics of investment in two different financial communities. It is also possible to

indicate whether differences in the behaviour of regional finance communities impact upon local entrepreneurs.

This research also links and develops a number of broader academic debates.

The first theoretical contribution of this research is that it extends the spatially bounded treatments of the industry where regions are perceived as 'containers' in which investment activity takes place. This territorial treatment of the venture capital industry reflects firstly the preoccupation with mapping the spatial variations in the distribution and take up of venture capital and secondly an assertion that investors will only mobilise equity to businesses that are in close physical proximity (Sunley and Klagge *et al* 2005, Klagge and Martin 2005). Spatial proximity and face to face contact between entrepreneurs and investors have been seen as essential to the day to day activities of the industry and are considered 'crucial for early stage investments' that need extra support (Sunley and Klagge *et al* 2005: 257, Mason and Harrison 2002, Klagge and Martin 2005). Although this assumption helps to explain the localization of venture capital funds and the pattern of investments conducted, I argue that it has also closed down alternative ways of theorising about the industry. This research opens up new ways of conceptualising and thinking about the venture capital industry using a relational approach. In so doing this research will problematise the assumption that geographical proximity and face to face contact is necessary to facilitate familiarity and nearness between investors and investees (Amin and Cohendet 2004) by examining how distant connections are forged and maintained between venture capitalists in two finance communities.

Relatedly, adopting a network approach, however, does not mean that territory is unimportant and the thesis focuses on the influence of the local institutional infrastructure. Work on knowledge economies and regional innovation systems, has explored the specific locational advantages and localised capabilities that are seen to underpin the geographical clustering of agents and firms in successful hi-tech regions. This has resulted in a corpus of work that examines the different types of buzz (Bathelt *et al* 2004) network properties (Grabher 1993, 2004) and interdependencies (Storper 1995)

within the socio-institutional settings of clusters. Until now, however, these concepts have not been applied to understanding the dynamics and success of finance communities. My second theoretical contribution is to apply these ideas to two finance communities, and examine if localised capabilities or specific advantages necessarily accrue from the co-location and physical proximity of finance agents and financial institutions. More broadly then, this research aims to draw attention to the complex interplay between territories and networks in the venture capital industry.

1.2 Overview of Chapters

The structure of the rest of this thesis is as follows.

In chapter two I develop the theoretical framework which will guide how I interpret my empirical material. To do this I draw on three separate bodies of literature: (i) political economy approaches to the role of finance in uneven development, (ii) new economic geography approaches to money and finance and (iii) institutional approaches to regional knowledge and innovation. This analysis is extended utilising (iv) relational economic geography and (vi) the communities of practice literature to develop a more appropriate theoretical framework to interpret my empirical material.

With the theoretical framework established, Chapter Three provides essential background information and context on the venture capital industry. After describing exactly what is meant by venture capital, the key academic debates concerning venture capital and regional development are emphasised. Specifically the prominent role that venture capital plays in underpinning competitive and innovative knowledge economies is emphasised, alongside the different ways in which types of venture capital activity pose different challenges to regional development. After outlining the geography of the different types of venture capital investments I introduce contextual material about the two case study region's. Here, an outline of each region's financial architectures and industrial structures is provided alongside detailed discussion of the position of my study regions in the venture capital system.

Chapter four describes and reflects on the methodological approach taken in this thesis. The chapter begins with a discussion of the theoretical debates and philosophical assumptions that accompany qualitative research methods. Specific attention is given to some of the debates germane to in-depth interviewing such as close dialogue and the corporate interview. Influenced by feminist research, this chapter also draws attention to the situated nature of knowledge and debates on positionality and reflexivity. Next I outline the research design followed by a detailed chronological account of how I undertook the research and the way in which I analysed my data.

Chapter 5 is the first of three empirical chapters. Using concepts normally used to understand the mechanisms that underpin successful industrial agglomerations, I examine the different ecologies of interaction that characterise each professional finance community. The chapter also considers how the underlying institutional conditions mediate each finance community's capacity to foster entrepreneurship and innovation as well as influencing the practices and behaviours I observed.

Drawing on relational economic geography, Chapter Six examines the connectivity of each finance community and the way in which contacts are forged and maintained. Based on my empirical material, the relational geometries of each finance community are outlined and their relational advantages compared. By drawing on the communities of practice literature, this chapter also demonstrates how embodied financial knowledges are circulated within and across monetary networks thus producing asymmetrical landscapes of financial knowledge.

The final empirical chapter, Chapter Seven, examines how the ecologies of interaction and socio-institutional architectures explored in chapters 5 and 6 impacts on local entrepreneurs. In particular this chapter is concerned with examining how these conditions affect the financial knowledges local entrepreneurs embody as well as how they navigate their local financial landscape, become investment ready and obtain venture

capital. The chapter will pull out any regionally distinct differences or similarities based on personal accounts of local entrepreneurs experiences.

Finally, Chapter Eight draws together the key conceptual and empirical findings of this research in relation to the three research questions and discusses how my findings relate to and develop broader academic debates. In particular I emphasise the importance of not overlooking the role of territory in relational analyses and draw attention to the complex and intricate relationship between territory, networks and institutional structures. The chapter concludes by highlighting some policy implications and emerging research agendas that arise from the research.

Rethinking Capital: Money, Space and Relationality, a Historical Overview.

2.1 Introduction

The purpose of this chapter is to provide an overview of the literature concerned with understanding geographies of money and finance. By tracing the different approaches taken to understanding financial practices and geographies of money, I will indicate how and why these literatures matter for my project and the way in which this research will build on but also critique their contributions to understanding the construction of finance gaps at the local level and the networks of connections that exist between venture capitalists across space.

In the first part of the chapter I begin by reviewing *traditional political economy* approaches to money that examine global and national flows of money and finance. Drawing heavily on the work of David Harvey whose work was arguably a starting point to taking the spatiality of money and finance seriously, I will describe his approach to money and its relation to the 'intersecting nets' of space and time. Next, I will move on to highlight Harvey's take on the role of the financial system in the changing nature of global capital accumulation and the way in which global flows of money and finance can produce unequal socio-economic configurations at a number of spatial scales. While Harvey's work is important to highlight the relationship between flows of money and uneven development, his abstract analysis of money that characterises it as ubiquitous and universal is less useful to explore finance gaps at the local level which reflect the different financial knowledges embodied by entrepreneurs and venture capitalists.

In the first point of departure in this overview I move away from political economy to examine geographies of money cultures. Drawing on the so called new economic geographies of money literature allows the research to recognise the heterogeneous and situated nature of money and overcomes the universal treatments of money found in political economy. This approach suggests that money is embodied by agents in different ways depending on the network in which money is circulating. By examining specific networks of financial knowledges embodied by agents involved in lending this research can produce a far more subtle financial narrative of the emergence and development of finance gaps at the local level. Conceptualising venture capitalists and entrepreneurs as embedded in different 'money cultures' meanwhile accounts for the dissimilar financial knowledges and the problems the two different agents encounter in trying to intersect and do business together. The concept of money cultures however, is less useful at explaining how the dissimilar financial knowledges and practices between the two agents arose in the first place.

The second point of departure in this overview draws on institutional approaches to understanding economic geographies of money and finance, and institutional approaches to regional knowledge and innovation systems. These literatures have been useful to draw attention to the distinct institutional geography of finance in the UK and the way institutions are central to understanding regional success, in the context of finance. The concentration of key financial, political and economic institutions in the South East and the institutionally 'thin' structures (Amin 1998) in problem regions (Hudson 2005, 1989) have constrained how venture capital is harnessed and channelled in them. Although these perspectives are insightful, the drawback of this literature has meant that studies so far on venture capital and regional development have been territorially grounded. Regions are at times seen as 'containers' in which venture capital investment is undertaken and the practices of venture capitalist agents, or their networks of connections that may stretch beyond regional boundaries have been under theorised. In an original contribution, this research will examine the role of venture capitalists in two non core

regions in wider investor networks elsewhere and examine to what extent this makes a difference to the chances of local entrepreneurs securing finance.

Wider institutional approaches to understanding regional knowledge economies and innovation systems have addressed the specific locational advantages and localised capabilities that are seen to underpin the geographical clustering of agents and firms in similar or complimentary technological fields, to help understand the reasons for successful or hi-tech regions. This has resulted in a corpus of work that examines the different types of buzz (Bathelt et al 2004), institutional linkages, network properties (Grabher 1993, 2004) and interdependencies (Storper 1995) within the socio-institutional settings of clusters. These concepts and concerns are yet to be applied to understanding the dynamics and success of finance communities. By subjecting two finance communities to these concerns and concepts this research will empirically examine if localised capabilities or specific advantages are generated by the co-location and physical proximity of financial agents and institutions and the difference this may make to local entrepreneurs trying to secure finance. Again, the drawback of these concepts and processes in the institutional literature is that they can be territorially bounded and assume that innovation and learning are only able to take place within regions or bounded locales. Examining how distant connections are forged and maintained between venture capitalists in two finance communities this research will problematize assumptions that tend to link physical proximity with successful collaboration and associations.

Related to this latter point, the third point of departure in this overview is concerned with relational analyses of networks and communities. Using facets of relational economic geography and communities of practice literature I am able to draw together the previous two points of departures highlighted in the literature on new economic geographies of money cultures and in the territorially rooted institutional accounts of money and innovation and provide a solution to their limitations. In so doing, this will provide a more suitable theoretical framework in which to interpret my empirical material. The alternative spatial ontology advocated in relational approaches means I am able to move away from the more territorially bounded studies of the venture capital industry that so

far have tended to dominate the regional development literature. Aided by the emphasis on flows, folds and networks, by conceptualising the sets of venture capitalists as a stretched out and networked construction, I make an original contribution to the literature on venture capital and regional development. Examining the networks of venture capitalists that stretch across space and extend beyond regional boundaries, I am able to challenge the territorial accounts advocated in the institutional literatures on learning and innovation that assume spatial proximity and co-location produces the necessary conditions for successful collaboration and associations.

The community of practice literature meanwhile, is useful to extend the lack of analysis given to 'money cultures' a concept articulated within the new economic geographies of money and finance literature. Conceptualising networks of economic agents involved in lending as being embedded in different communities of practice, helps to explain how agents are engaged in dissimilar endeavours, along with different sets of norms, values, vocabularies and practices. This adds theoretical depth to the concept of money cultures (Allen and Pryke 1999): it explains how the cultures arose in the first place and why two agents, a venture capitalist and an entrepreneur may find it difficult to intersect.

My concerns with how knowledge is transferred between physically distant agents are explored in both relational economic geography and communities of practice literature that are interested in the spatiality of knowing and knowledge. Importing concepts used to analyse how mainly technical knowledge is shared between physically distant agents and firms from these literatures, and applying them to circuits of capital means I can fill the empirical and theoretical gap in the literature on new economic geographies, and demonstrate how financial knowledge is circulated and transmitted within and across monetary networks creating asymmetrical landscapes of financial knowledge.

Finally, the research uncovers the multiple modes of power within the networks attached to the venture capital system. Employing a fine grained analysis of the asymmetric power relations inherent in lending/financial relationships I am able to consider how this may have material impacts on local entrepreneurs seeking finance. Given that venture

capitalists act as important gatekeepers that shape and regulate both flows of equity and financial knowledge, such a close analysis will reveal the multifaceted and fluid power relations involved between entrepreneurs and venture capitalists at different stages of the lending process

Finally, before progressing, as this research is concerned with understanding money and its associated financial practices, I need to address what exactly *is* money? To do this I turn to Leyshon and Thrift (1997) who have attempted to answer this 'rather difficult' (1997: 5) question. Firstly, they start with classical distinctions between money as a 'medium of exchange' (1997: 5), and money as an 'independent' store and expression of value (*ibid*). This dual quality of money is central to understanding its role in economies and will guide my own interpretation of money for the purpose of this research. They also identify five different key monetary forms that have evolved throughout history that have lead to 'five broadly conceived set of interpretations of what money is and what it does' (1997: 3) which has 'led to the monetary system being characterised by a range of alternative and complimentary forms of money' (1997: 5).

The five main forms of money identified by Leyshon and Thrift (1996) are (1), *premodern money* mainly referring to the barter system, (2) *commodity money* marking the introduction of coins and new sets of financial practices that were created to accommodate these. (3) *Money of account* which refers to the introduction and development of the bill of exchange which arguably jumpstarted the credit economy, (4) while *state credit money* refers to the rise of bank credit and the creation of a central state bank and (5) *virtual money*, where instruments of fictitious capital and advances in technology have meant money has become virtual and electronic reduced to a form of 'fleeting instants' on a computer screen (Leyshon and Thrift 1997: 6), although it is still entangled with older material monetary practices through the development of the ATM, or debit cards with cash back facilities. It is arguably the shift towards the more intangible forms of money that has initiated a wave of theorising on the role of finance in uneven development, but also makes a more culturally nuanced form of analysis so important.

2.2 Global Capitalist Development, Money and the Space Economy

The work of David Harvey (1989a, 1989b) provides a useful starting point for this study on the geography of money and finance. Harvey's rich and analytical appreciation of the financial system meant his work has provided a 'springboard' (Leyshon 2004) to take the spatiality of money and finance seriously. Drawing heavily on Simmel's writing concerned with the philosophy of money, Harvey (1989a) extends what he refers to as Marx's 'unfinished business' and systematically analyses the role of money, the credit system and fixed capital in advanced capitalism. In so doing, Harvey (1989a, 1989b) draws our attention to the spatial and temporal qualities of the capitalist and monetary system and how an understanding of the workings of the global capitalist system produces unequal socio-economic configurations at a number of spatial scales. Ultimately Harvey's work has offered a path breaking foray into key areas of geographical political economy (Rigby 2004).

At the centre of Harvey's analysis was his concern with the constant state of disequilibria and crisis tendencies inherent in the capitalist system. This concern lead Harvey to organise his analysis of crisis theory around three different 'cuts' (Jones and Ward 2004, Sheppard 2004). In his first 'cut' Harvey outlines the cyclical dynamics inherent in capitalism that inevitably leads to over accumulation. The over accumulation and surplus of capital is caused by capitalists devaluing labour and paying lower wages. A period of boom and profit soon follows, but is quickly replaced by bust due to there being less money in the hands of those working to be able to consume. Consequently, this forces firms to close and a period of economic restructuring ensues. Eventually the devalorisation of fixed capital production is enough for the previous stock of over accumulation to be written off and a new cycle of boom is initiated (Sheppard 2004). In Harvey's third cut he argues that the inherent crises of capitalism can be managed through a series of 'spatial fixes' by manipulating and reconfiguring the built environment to absorb and displace profit.

For the remainder of this section I will focus my attention on Harvey's second cut of crisis theory, concerned with integrating discussions of the financial system, theories of capital accumulation and spatial uneven development. Firstly, I will unravel the 'intersecting nets' of money, time and space whose qualities and relationships form the foundations of Harvey's attempt to spatialise the dynamics of the capitalist system. Secondly, I will draw attention to some of the financial instruments that developed under capitalism to smooth out the contradictions Harvey saw as endemic to capitalism. These include the introduction of the credit system to allow capital to circulate continuously and fictitious capital which aimed to manage and displace the inevitable over accumulation tendencies of capitalism.

The third dimension of Harvey's work pertinent for this study is the explicit attention he gives to highlighting the geographical nature of capitalism. By looking at the often separate geographies of production and consumption, plus circuits of fictitious capital, Harvey (1989a, 1989b) outlines the multiple spatialities associated with the dynamics of capitalism. Within his theory of spatial uneven development he highlights how the flows of money and finance tie in certain places producing geographically distinct socio-economic configurations that may hinder or facilitate local economic development.

The final part of my discussion considers Harvey's treatment and interpretation of money per se. Drawing heavily on Simmel and other Simmelean type interpretations Harvey suggests that although money affects the tempo and rhythms of daily life, money per se is a colourless and abstract quality, devoid of any social or cultural inflections (Gilbert 2005). As this chapter unfolds, this interpretation provides a vivid contrast to work done more recently on the characteristics of money within new economic geography. To bring this section to a close I will discuss some of the drawbacks of Harvey's aggregate and systematic treatment of money in being able to understand better the cultures of lending in two non core regions.

2.2.1 Integrating the Financial System and the Dynamics of Capital

Harvey (1989a) wrote extensively about the complex relationship between money, space and time. He felt strongly about the way these three qualities form a tightly interrelated web, which in 'profound ways shape the form of social life' (1989a: 165). The traditional saying 'time is money' (1989a: 171) is used as a persuasive discourse to explain how throughout capitalism money has transformed and shaped the meaning of time in important and specific ways. In his analysis Harvey provides a detailed account of the multiple and seemingly subtle ways that the monetisation of time has come about to allow the capitalist system to continue. At the macro scale, Harvey historically charts the re ordering and coordination of global and national time zones to allow merchants to operate in more 'adequate and predictable time frames' (1989a: 171). This is to be able to coordinate and achieve profitable production and exchange over space while the monetary sphere of circulation ties in new places into spaces of monetised time.

At the more micro scale, and drawing heavily on Simmel who was concerned with the way money sped up the pace and simultaneity of social relations, Harvey explained how time played an important role in ordering and structuring production at the everyday level to allow the capitalist system to continue. For example, extending Marx's' analysis of struggles over the length, pace and intensity of the working day, Harvey (1989a) highlighted a 'tightening of the chronological net' (1989a: 164) through new forms of monetised time that ordered daily life through daily time sheets and time and a half pay rates. The journey to work and commuting time also altered the rhythm and pace of urban life, while new senses of time were created via technology, gas and electricity to overcome dark evenings thus altering the length and pace of the working day again.

The complex relationship between money, time and space can also be captured in Harvey's ideas about time-space annihilation (1989a). The famous phrase refers to the impulsive nature of the capitalist system as it seeks to overcome the frictions and constraints of distance to accumulate profit. The geographical separation of places of production from consumption increased the time lag between initial investment and profit

realisation (Harvey 1989a, Sheppard 2004). Therefore, to reduce this friction of distance and accelerate the movement of commodities around the globe more easily, 'distance has continually been reshaped by transportation and communication technologies to overcome geographic separation' (Sheppard 2004: 473).

The annihilation of time-space has served to make physically distant agents and places appear more proximate and access to them simultaneous (Allen and Hamnett 1995).

From this perspective space and distance appears to fold and collapse and social relations are stretched across space meaning that people at a distance feel more proximate and familiar thus disrupting our sensibilities as to what is meant by near and far (Allen 2006). This approach to space employed by Harvey has strong resonances with more topological ways of seeing space, a theme dealt with in the third part of this chapter. Harvey claimed that 'spatiality is a social construct rather than an absolute coordinate' (Sheppard 2004: 473) that is both a product of, and serves to produce and influence the dynamics of the capitalist system. This draws our attention to the subtle way that overlaps can and do exist between different approaches or theories and it can be misleading to create stark boundaries between different eras of theorising .

2.2.2 The Credit System and the Rise of Fictitious Capital

Central to the second of Harvey's three perspectives on crisis theory is the way he integrates the financial system with a general theory of accumulation and crisis. Harvey argues that under capitalism a number of financial instruments developed to smooth out the inherent disruptions caused by capitalism's tendency to over accumulate. One of these ways is through the introduction of the credit system which Harvey claims has been responsible for the 'extraordinary transformation in financial markets' (1989b: 160) and became the 'central nervous system' for the regulation of capital and to co-ordinate the divergent activities of individual capitalists.

Crucially, the credit system helped ease the flow of capital around the economy and accelerate capital accumulation because it permits the continuity of money circulation

while embracing the discontinuity in production (Sheppard 2004). For example credit allows firms to acquire a new piece of machinery that can immediately be put to use without any disruption to production or profit. Therefore, the credit system helps to overcome and transcend the 'time lag' between initial investments in production and profit being realised thus reinforcing the way time has been increasingly monetised under capitalism (Sheppard 2004).

Alongside the credit system has developed fictitious capital. This refers to a flow or store of money that is not backed by any commodity transaction, and represents a secondary circuit of money capital. Harvey (1989a) argued that fictitious capital has been accompanied by new financial instruments such as derivatives, futures markets, hedge funds and swaps which provides further options for investors to anticipate, displace, manage and absorb the inevitable over accumulation tendencies inherent in capitalism (Sheppard 2004).

A central concern of Harvey (1989a) was the way the credit system and circuits of fictitious capital are increasingly disconnected and autonomous from fixed capital in the real economy. Arguably Harvey (1989a) saw these disconnections as attributable to the development of multiple forms and guises of money – a resonance later picked up by literatures on new economic geography but for the most part neglected by Harvey. While money traditionally represented a fixed store of value, a means of exchange and a method of payment, the credit system allows money to become a medium of circulation whereby its value is more fluid, virtual and fictitious.

2.2.3 Uneven Spatial Development

The strength of Harvey's work is that he injects a 'geographical imagination' (Leyshon 2004: 360) into Marx's analysis and 'pushes towards a theory of spatial uneven development grounded in the dynamics of capitalist production and accumulation' (Rigby 2004: 324). By employing a spatial sensitivity to the way that we analyse global circuits of capital, and the sets of financial relations that accompany these flows, Harvey (1989a,

1989b) illustrates how circuits of capital are able to tie in and integrate both nation states and local economies often in very unequal socio-economic relationships. This is a pertinent concern for this research which although taking a more micro approach, will examine the attachments venture capitalists in two non core regions have to decisive circuits of capital, people and knowledge and the implications this has for local entrepreneurs in securing finance.

In Harvey' opinion the inevitability of uneven spatial development emanates from how some circuits of capital are geographically rooted and fixed in particular areas. Through successive rounds of investment in fixed capital, a 'patchwork' of labour markets emerge which become entangled with, and are affected by new cycles of accumulation, new forms of competition, advances in technology (either to produce goods differently, more efficiently or to deliver new services) plus entanglements with new forms of industrial organisation (Hudson 2004). Consequently these different entanglements serve to render certain economic spaces more or less favourable or profitable to the capitalist system. Meanwhile, other circuits of capital that are more fluid and virtual appear less geographically fixed and serve to lubricate capitalisms insatiable appetite to continually seek out new economic spaces to advance its interests and accumulate profit (Hudson, 2004). Both of these processes, investment in fixed capital and flexible circuits of capital can have different spatialities and create distinct spatial and socio-economic expressions.

In sum, Harvey (1989a 1989b) provided a rich analysis of the temporal and spatial nature of the capitalist system. He felt his key theoretical innovation was that he provided a far more geographically inflected understanding of geographies of money and finance and its relation to uneven development. Additionally, he drew attention to the rise of the credit system and noted how as time has increasingly been monetised it has shaped the pace and tempo of social life. While Harvey's work provides an important contribution to taking the spatiality and interrelations of money time and space seriously, two broad limitations to his work make it a less than satisfactory framework to uncover the dynamics that underpin finance gaps at the local level or allow the networks of venture capitalists to be revealed.

2.2.4 Some Limitations

2.2.4.1 Money: Devoid of Characteristics and a Frightful Leveller?

Firstly, the main drawback of Harvey's work lies in his interpretation of money *per se* and the characteristics he prescribes to it. Close inspection of Harvey's writing on money in his chapter Money, Time, Space and the City (1989a) demonstrates that Harvey does not write a great deal about money *per se* but is more preoccupied with its relation to time and space and not as a stand alone subject worthy of study. Informing his perspective, Harvey draws heavily on Simmel (1900, 1978) who suggests that even though money is 'central to every aspect of our life' (1989a: 166) it is devoid of any content or character and 'can only be possessed' (*ibid*) rather than embodied, contested and socially constituted. Harvey agrees with Zola too (1967: 1236 in Harvey 1989a: 166) who describes the qualities of money as 'cold, glacial and devoid of any interest' and consequently accepts money has an irreducible and colourless quality that is paradoxically everywhere and nowhere. The lack of attention given to the qualities of money may emanate from Harvey's admission that he finds money a 'difficult subject to write about' because in his perspective it is merely a 'denominator of all values' (Zola in Harvey 1989a, pg 166). This perspective relates to a further limitation of Harvey's work which is the way Harvey felt that money functions as a 'frightful leveller' (Simmel 1971, 330 in Harvey 1989a, 166), and is the 'profoundest and most complete of all centralising forces in society' (Harvey: 1989a, pg 167). Drawing on Marx, who saw money as nothing more than a mechanism through which all values are made consummate, and Simmel whose abstract interpretation of money meant it could 'hollow out the core of things' (1971: 330 in Harvey 1989a: 166) and overcome uniqueness and incomparability, Harvey concluded that money was a quality that 'exists external to us' that it 'exercises real power over us' (1989a: 167) and is merely a 'universal measure of social wealth' (Harvey 1989a: 168).

I argue that this particular take on money glosses over how money is constituted by and constitutive of social and cultural relations (Gilbert 2005). I also argue that it overlooks

the way in which money is embedded in networks of social relations and communities of practice and ignores the shifting meanings and interpretations that are attached to money, depending on the network in which it is circulating (Zelizer 1994). Furthermore, given that Harvey also proposes that money has an ability to erode, flatten out and overcome differences between subjects, objects and people, and is dis-embedded from networks of social relations he neglects the way in which money is able to be appropriated at the local level. Harvey fails to consider or acknowledge local differences in the interpretation of money, as opposed to money being an extreme 'mediator and regulator of all economic relations' (Harvey 1989: 167) across space.

2.2.4.2 *Vantage Points: Top Floor or Street Level?*

The final drawback of Harvey's work for this study is the relatively aggregate and totalising narratives he uses, a reflection of his 'preferred vantage point' (1989a: 1) and the 'special satisfaction' (*ibid*) he derives from his metaphorical observatory looking down at the world from the top floor of an apartment block rather than amongst the 'turbulence' associated with street level. Although he acknowledges that interrelations do exist between the macro and micro scales and that they 'do not operate independently' (1989a: 1), I argue that Harvey fails to confront the complex and nuanced processes underpinning circuits of capital and how said circuits are woven into the micro scale landscape. Such totalising 'god like' (*ibid*) visions fail to confront the contingent and complex nature of monetary landscapes and brush aside the particularities of place. In sum, then, the aggregate and systematic narratives that are characteristic of Harvey, coupled with his belief that money is able to flatten out spatial differences, implies that Harvey's theories on money are unsuitable for my study and an alternative theoretical framework is required. Closer readings that deliberately ride the 'turbulence' associated with the local scale are required to understand the culturally nuanced process of lending practices and the different sets of financial knowledges that lead to development of finance gaps between entrepreneurs and venture capitalists at the local level.

Work concerned with new economic geographies of money and finance, part of a wider literature of the so-called new economic geography is useful to remedy the abstract treatment of money found in political economy approaches, and marks the first point of departure from political economy within this theoretical overview.

2.2.5 Geographies of Money Cultures

New economic geography has emerged via a series of cultural turns to arguably offer a more subtle and culturally nuanced perspective than more traditional political economy approaches to understanding the economy (Lee and Wills 1997, Crang 1997). This is because new economic geographies stresses the importance of recognising the socially and situated nature of economic activity (Gertler 1997). Although the social nature of 'the economic' is usually elaborated through analyses of industrial circuits of capital and is yet to be applied to circuits of finance, drawing on the more socially and culturally inflected approaches to money and finance advocated mainly by Zelizer and Gilbert (2005) provides a useful insight into the development and nature of finance gaps at the local level. This thesis will argue that finance gaps do not simply reflect differences in the geography or availability of funds but rather different cultures of lending and attitudes to money between those seeking finance and those providing it.

Approaches within new economic geographies of money and finance still take the 'intersecting nets' of money time and space seriously but does so by deliberately engaging with the turbulence of street level. By paying closer attention to the networks of social relations money circulates in and the different meanings that agents attach to money produces a far more complex and heterogeneous approach to money than its political economy predecessors (Gilbert, 2005, Zelizer, 2000). Zelizer (1994, 2000) has been at the forefront of these debates that criticises the universal and ubiquitous character of money found in much political economy approaches, although she is argued to overplay the particularistic nature of money (Fine & Lapavistas, 2000). Zelizer (1994, 2000) suggests there needs to be greater sensitivity to the social and cultural inflections placed on money and an appreciation of the different systems of meanings that are

established by individuals and groups in relation to money and its circulation, Zelizer not only draws attention to the multiple meanings and types of money that people socially construct such as pin money, pocket money and rent money, or money for a rainy day, but also argues that every currency and circuit of exchange is embedded in a 'set of meaningful social relations' (2000: 385). In opposition to Harvey (1989) who perceives money as a universal and standardised form, Zelizer (2000) suggests that money is mediated by particular communities who make sense of it in a particular locale and network. Therefore, by exploring the different meanings of money, the networks that it circulates in, and the different social relations associated with money, I will open up 'alternative theoretical possibilities' for understanding economic life in the context of the venture capital industry (Zelizer, 2000).

Tickell (2003) agrees with Zelizer that money is culturally constituted and this is 'vital' to understanding monetary systems. He claims that at all spatial scales the interplay between cultural and economic processes problematize accounts that simply see money as a unit of exchange. Tickell acknowledges the work of Muniesa (2001) who argues that the 'human aspect' of financial markets has been neglected. The role of gossip, clique building and personal connections have been 'brushed aside' in more traditional political economy narratives of the economic. The appreciation that financial markets are 'performed' and 'framed' by reflexive human traders with embedded knowledges and trust reinforces Leyshon's (2000, 1998) view that it is important to acknowledge the networks of financial knowledges that shape and mediate how the economy works.

Thrift's (1994, 1996) work on the City of London is useful to reinforce how monetary networks need to be interpreted with sensitivity to the networks of financial knowledges that sustain them. Here Thrift (1994) suggests dynamic financial centres like the City of London are underpinned and reproduced by three cultural determinants often summarised in terms of '*information, expertise and contacts*' but in reality the determinants go beyond this (1994: 334). The speculative and highly volatile nature of financial markets requires a pool of experts to continually manage and make sense of the flood of *information* that flows into these nodes. Via their skill, knowledge and 'interpretive

schemas' the financial *experts* process the information which becomes coded and interpreted as financial knowledge. Ultimately these 'experts' decide what constitutes valid financial news and are said to hold the 'discursive authority' (1994: 335) on financial narratives. Additionally, the concentration of expertise and talent in the City of London act as 'proving grounds' (Thrift 1994: 335) to 'test quickly and efficiently' (*ibid*) innovations in new financial products (Thrift 1994 Harvey 1989a)

The third cultural determinant of financial centres correlates with *contacts*. Thrift (1994) suggests that underpinning financial centres like London is the desire to come together and a compulsion for face to face proximity. In other words the City of London becomes a centre of social interaction and 'meeting places on an expanded scale' (1994: 336) to share knowledge, talk, and tap into the vast and varied social networks. In sum, then, Thrift's (1994) analysis suggests that the embodiment of knowledge within monetary networks is vital to determine the success and survival of international financial centres and justifies why such centres will never 'melt away into an electronic space of flows' (1994: 336). The sheer speed and volume of information and money that flows through the City of London makes it 'imperative' to construct places like the City of London as centres for comprehension and interpretation.

Allen and Pryke (1999) develop such ideas by suggesting it is possible to talk about 'money cultures' rather than just one culture of money. They claim that 'money cultures are made up of people who position themselves in relation to the circulation of money and are also positioned by it' (1999: 65). Like Simmel, Allen and Pryke are preoccupied with the pace and flows of money but they are also concerned with the attachments or entry points people have to flows rather than money per se. For Allen and Pryke (1999) the way people understand money is a convenient example of the relationship between mobility, movement and culture. Neither Simmel or Allen and Pryke are concerned with examining money as a stand alone subject worthy of separate study or exploring the nature of the community groups that underpin these money cultures. Therefore, while subtle and insightful the drawback of Allen and Pryke's (1999) account is that it does not fully engage in exploring 'money cultures' either theoretically or empirically.

This research will develop the concept of money cultures and suggest that by conceptualising entrepreneurs and venture capitalists as being embedded in different money cultures it captures the dynamics that underpin finance gaps at the local level. Here contrasting 'money cultures' are underpinned by different financial knowledges thus making it difficult for the two agents to intersect and do business together. The drawback, however, of this concept is that it still does not adequately explain how the different financial knowledges embodied by the different agents arose in the first place which I argue requires further consideration

In sum, then, by utilizing the cultural nuances and insights of new economic geographies, that see money as embodied and situated, this research will open up the venture capital industry to a more subtle and closer reading than previously done and produce a more situated financial narrative to accompany and understand the processes and practices of the industry (O'Neill and Whatmore 1999, O'Neill & Gibson-Graham 2001). This research will argue that finance gaps are underpinned by the way different agents attached to the industry embody the social relations of equity in very different ways. By conceptualising venture capitalists and entrepreneurs as operating in separate and dissimilar money cultures it is a way to think about the relationships between entrepreneurs and venture capitalists and their differences, but as highlighted, the concept of money cultures (Allen and Pryke 1999) requires further consideration to explain how the different knowledges have developed.

2.3 Rethinking Capital through the Institutional Turn

The third point of departure from political economy in this literature review is concerned with outlining the contributions that institutional approaches to economic geographies of money and finance can make to this study. This section draws attention to work on understanding regional innovation and knowledge which takes into account the social character and embedded nature of economic activity and learning and problematize its overly territorial accounts.

Over the last fifteen years one of the ways in which economic geography is seen to have been reconfigured has been through the institutional turn which, broadly speaking refers to the 'recognition that the form and evolution of the economic landscape cannot fully be understood without giving due attention to the various social institutions on which economic activity depends and through which it is shaped' (Martin 2003: 77). Through a broad and diverse set of disciplinary perspectives the institutional turn proposes that the volume, presence, governance, type and regulation of institutions are central to understanding regional success or failure. Put another way it examines how institutional architectures can refract or constrain economic development trajectories and shape local and national economies (Martin 2003)

Within institutional literatures the preferred top floor metaphorical 'vantage point' has been replaced with a view from the more mid level of an apartment block that focuses on the institutional regimes as a way of trying to understand uneven regional development. Therefore, while traditional political economy approaches were useful to alert our attention to how circuits of capital tie in different localities into unequal socio-economic configurations, research from the institutional turn picks up and extends these concerns by paying closer attention to the 'complex geometry' (Hudson, 2005) of interrelated institutional spaces that mediate and filter how financial flows as well as other broader economic and political structures are played out locally. That said, institutional economic geography is not just about the study of particular institutions and their role in shaping and regulating the spatial dynamics of capitalism, but more generally represents a heuristic to think about the space economy (Martin 2003).

Given that institutional geography perspectives have drawn on strands of evolutionary economics, the utility of these perspectives for my research is they provide a historical overview of both the evolution and current institutional structure of regions and nations. By examining how different institutions have arrived, altered or left a particular locality, it sheds light into how that locality has been configured and reconfigured over time. From this perspective institutions could be seen as 'carriers of history' (Martin 2003: 78)

because the institutional landscape, gives a snap shot into the past and present socio-economic and political landscape while the types of institutions that evolve in a given locality are shaped and influenced by their local context.

Institutions have made a return to the research agenda in economic geography because firstly, the changes in capitalist modes of production and accumulation have meant that the institutional landscape has been redrawn and reconfigured. In particular the switch from fordist to post fordist modes of capitalist production that have created not only 'new' and 'old' industrial spaces (Hudson 2005) but also, accompanying this transition, the rise of newer and arguably more appropriate institutional frameworks and configurations to underpin and support these new forms of accumulation and production. A second reason has been the recognition in economic geography that economic life is a socially and culturally constituted (Thrift and Olds 1996, Lee and Wills, 1997) and that all economic institutions are (re)made, shaped and influenced by the social activity that goes on inside and around them. Recognising institutions as social constructs has meant a closer examination of the *cultures and behaviours* associated with different institutions that can either be templates for, or constrain future development (Saxeninan 1994 Schoenberger 1997). A final reason for institutions returning to the research agenda is that institutional factors 'play a key role at all levels in the economy from the structure and functions of the firm through the operation of markets, to the form of state intervention' that is undertaken (Martin 2003: 78). This has led economic geographers to be interested in uncovering the multiple 'institutional regimes', i.e. the interplay and interactions between the institutional environment and institutional arrangements that are both a product of, and produced at a range of spatial scales.

2.3.1 Institutional Geography and Flows of Finance

In the context of finance, the institutional literature has been useful to draw attention to the geographically biased spatial configurations of corporate and financial structures in the UK which are skewed towards the City of London and the South East of England (Martin and Minns, 1995 Martin 1999). This has highlighted how the institutional

geography of the financial system plays a decisive role in shaping and reproducing entrenched patterns of uneven regional development because money generated within the non core regions becomes sucked into biased flows of money and finance that return to the City and the South East (Martin and Minns 1995). The spatial agglomeration of investment houses, national and international Bank headquarters in the City makes it the 'seat' of global and national financial power and as a result investment decisions made at the national level are actually decided within 'a profoundly exclusionary structure' within the City which favour the South East and de-prioritise the 'Rest of the Country' (Amin *et al*, 2003: 32).

In the context of the venture capital industry Mason and Harrison's work (2002, 2003) has been particularly useful in drawing attention to the spatial variations in the take up of venture capital across the UK. They have also highlighted the distinct geographical concentration of venture capital funds, and hence investment activity, in the City of London and the rest of the South East thus arguably reinforcing the most economic dynamic parts of the country (Mason: 1987). Given that access to finance is a vital resource to both businesses, and in underpinning vibrant and innovative regional economies, the extreme concentration of both office location and funds invested in the South East poses significant challenges for the economic development trajectories of non core regions.

The next chapter will pick up and extend Mason and Harrison's work (1987, 2002, 2003) to highlight the geography of venture capital investments and the challenges this poses for local economic development in the two non core regions that this research focuses on. Attention will also be given in the chapter to the complex geometry of government and financial institutions that play a decisive role in shaping how venture capital is channelled across the space economy and the financial architectures in each case study region. For now though, I would like to highlight that literature has been useful in highlighting how the flows of money and finance across the space economy and the 'dynamics of a fast moving and increasingly powerful financial system' (Leyshon: 2000: 68) are grounded by institutions in local economies which compliments and connects with the work done

by Harvey (1989a, 1989b) and Simmel (1978) on the tempo and pace of social and economic life.

Although the institutional literature is useful in highlighting the spatially skewed institutional geography of the financial system and how it constrains the financial trajectories in less successful regions, it still fails to engage with the dynamics of money at the local level. Martin (1999: 4) for example, claims that the connection between money and the local economy is thus far 'the least explored aspect in the geography of money and finance'. Similarly, Mason (2002: 447) argues that 'geographers have been not only slow to examine the venture capital industry, but have also been slow to explore the consequences of this new economic geography of money for local economic development' and argues that this topic should 'occupy a prominent position in the economic geography research agenda' (*ibid*). Leyshon and Thrift (1997) also suggest that there has been a 'failure to be sensitive of the interplay between money, space and place' (1997: 22) and a recognition that 'monetary forms, practises and institutions are contingent in both time and space' (*ibid*).

In terms of venture capital, institutional approaches have also tended to produce spatially bounded treatments of the industry where regions are perceived as 'containers' in which investment activity takes place. I argue this treatment has arisen from the preoccupation with mapping the spatial variations in the take up of venture capital investment or in outlining the geography of offices and funds, which has closed down alternative ways of theorising about the industry. By examining the networks of connections and attachments that venture capital agents in my two case study regions have to networks of investors, capital, and knowledge stretching beyond the standard regional administrative boundaries, I aim to recast the venture capital industry as a stretched out and networked construction. In so doing I draw attention to the behaviours and practices of venture capital agents because I look at their micro spaces of interactions (Ettlinger 2003). Examining external relations that venture capital agents have beyond the region will allow me to examine to what extent external connections can make a difference for local agents to securing certain outcomes or for local entrepreneurs being able to secure equity.

2.3.2 Institutional Approaches to Regional Knowledge and Innovation

Away from money and finance, a dominant concern within institutional economic geography has been with the reasons underpinning successful and hi tech regions. A broad array of literature has developed concerned with the explaining the agglomeration of economic activity through concepts of clusters (Porter, 1998), learning regions (Morgan 1997, Florida 1995), industrial districts (Piore and Sabel 1994) innovative milieus (Camagni 1995, Capello 1999) and economies of association (Cooke 2001, Cooke and Morgan 1998). Concerns have also been extended to how the institutional character or composition of regions influences the capacity of industrial districts or learning regions to be innovative and develop knowledge. This literature asserts that under the 'right' kind of conditions specific advantages and localised capabilities are seen to accrue from the agglomeration and co presence of firms and agents in similar or complimentary fields (Henry and Pinch 2001, Bathelt *et al* 2004). Particular attention has also been given to the different kinds of 'buzz' or 'social atmospheres' (Bathelt *et al* 2004) that capture the ecologies of interaction and communication between agents and firms. This has been alongside concerns with the different types of institutional linkages and interdependencies, traded or un-traded (Storper 1995), that exist amongst the institutional terrain and in agglomerations.

The literature on learning regions makes a number of assertions. Firstly it tends to assume that innovative capabilities are only able to materialise via the co-location and physical proximity of similar or complementary firms and agents. Secondly, the importance of face to face contact between agents is seen as prerequisite to share economically valuable or tacit knowledge, which is seen to be institutionally and culturally embedded in place (Gertler and Storper 1995, Storper and Venables 2004). Thirdly these analyses remain very territorial in character and regions are merely pre-given spaces in which innovative activities are undertaken. External relations and pressures that can act as a distance and shape a localities trajectory remain somewhat neglected.

Although the work outlined on institutional regional and learning is useful to understand the characteristics that underpin learning regions, and provides an insight into how institutional architectures shape the capacity for regions to be innovative and vibrant, the socio-institutional architectures of finance communities remain neglected. Consequently it remains unclear to what extent venture capital agents and local entrepreneurs seeking equity benefit from agglomerating and being in close spatial proximity. Similarly, it is yet to be debated if the co-location of finance agents within regions produce sets of localised capabilities that they draw on to achieve certain outcomes.

Ultimately this thesis aims to problematize territorial accounts that assume spatial proximity necessarily facilitates successful associations or sets of localised competencies between economic agents. Nevertheless, applying concepts of local buzz and debating the strength of weak ties in the context of my two finance communities, will go some way to understanding the dynamics and practices that underpin and characterise each regional finance community. Furthermore, speculating about the institutional thickness or thinness (Amin and Thrift 1995) in my chosen case study regions, and the types of socio-institutional linkages that exist amongst the financial architecture will highlight how the institutional architecture shapes their financial trajectories. I will now outline some of these concepts in more detail.

2.3.2.1 Institutional Thickness

A leading concept to emerge via the institutional turn within economic geography and regional development has been *institutional thickness* (Henry and Pinch, 2001: 1169). Coined by Amin and Thrift (1994, 1995) this concept aims to capture the structural and cultural dimensions of the institutional landscape by identifying the organisational components and cultural process that are needed for economic success and growth, locally and nationally through the lens of institutions.

Within Amin and Thrift's (1995) template, two broad facets forming 'institutional thickness' emerge (Henry and Pinch 2001). The first is that institutional thickness

demands a strong institutional presence, or rather a 'plethora of diverse institutions' (Amin and Thrift 1994, 1995 in Henry and Pinch 2001: 1173) such as firms, government agencies, chambers of commerce and marketing associations. Secondly, and referring to the more culturally inflected elements of institutional thickness, it requires high levels of interaction and cooperation which can be formal, informal, covert and overt amongst other members within the institutional network. Amin and Thrift (1994, 1995) suggest that this high level of interaction (hopefully) constitutes a 'social atmosphere' of shared norms, rules and conventions which arouse a shared common purpose or 'collective endeavour' in the given locality while trust and reciprocity are a behavioural norm (Henry and Pinch, 2001: 1176). Amin and Thrift (1995) argue that a combination of the cultural processes and organisational components just outlined effectively strengthen and mobilise economic success in a given locality.

While the concept of institutional thickness is 'deeply attractive' (2001: 1177) Henry and Pinch suggest that 'its theoretical and methodological application is less so' (*ibid*). For example Henry and Pinch (2001) suggest institutional thickness 'crudely' (*ibid*) presumes that there is a positive relationship between thickness and economic success, yet their examination of motor sport valley in England has a 'striking' lack of institutions but is still economically successful. Similarly, it is dangerous to presume that a rich plethora of institutions implies a collaborative and cooperative 'social atmosphere'. In short, institutional thickness can imply simplistic binaries where thickness creates economic success while thinness negates against it. Further problems arise when Henry and Pinch (2001: 1177) question 'exactly how do we measure or define what is thick or thin?' Is it, or should it be on a quantitative scale or instead measured in terms of qualitative process of interaction (2001; 1178)?

The focus on institutional arrangements within regions and their associated 'thinness' or 'thickness' draws attention to the need to analyse the financial architectures of my case study regions. Although writing from a relational perspective, and again highlighting the overlap of different theoretical perspectives, Massey *et al's* (2003) work illustrates how institutional sources of economic, political and financial power are centred around the

City of London and the South East. Massey *et al* (2003) suggest that this 'acute spatial grammar' is a crucial force in underpinning and (re)producing regional economic inequalities between the City and the South East and the 'Rest of the Country'. From this perspective, the dynamics of power that underlie the unequal and undemocratic geography of the UK continue to derive from, and return to, London and the South East and repeatedly re-asserts the City as the 'centre' of the nation. A consequence of the South East's institutional thickness could imply that the UK's other constituent regions, especially the less favoured or non exemplar regions such as those in this research, have far smaller and weaker sources of institutional power to mobilise and draw on. Rather, 'institutionally thin' regions (Amin, 1998) are dependent on the economic decisions and policies taken by private and public sector organisations in the City and the South East, making it difficult for regions outside the core to enter in to long term indigenous business development. This process is said to be underpinned by the way peripheral regions are locked into and reliant on a 'dependent model of development' that is articulated, governed and designed by the City (Amin, 1998).

2.3.2.2. *The Strength of Weak Ties?*

Originally suggested by Granovetter (1985) and followed up later by Grabher (1993) both authors seek to distinguish between the importance of strong and weak ties between economic agents within industrial agglomerations. Both advocate weak ties because they perceive them to be more dynamic as well as beneficial for economic success and securing desired outcomes. The strength of weak ties is that they are seen as loosely coupled. The more fleeting and short term nature of weak ties means that individual agents are exposed to more varied learning environments. Therefore the danger of introversion and cognitive or institutional lock in are avoided due to the flood of information that flows between agents with these ties which constantly needs to be synthesised under these conditions. Conversely, the weaknesses of strong ties, is that they are seen to increase the threat of lock in and sclerosis either cognitively, institutionally or regionally. Rather than fluid and changing, strong ties between economic agents tend to be deeply entrenched and have been in operation for a long

while. As a result agents are exposed to limited learning environments and therefore 'lack the capacity to rapidly learn or respond to new situations. This is because they are 'not used to dealing with or synthesising tides of new information' (Cooke 2001: 80)

While concepts of weak and strong ties are useful to provide a more nuanced account of the different kinds of connections between agents, there is still a temptation for these concepts to imply a simplistic binary, similar to that of institutional thickness and thinness, where crudely put weak ties are seen as crucial components for economic success and strong ties the opposite. Furthermore, the focus of these ties tends to be at the inter-organisational level. In so doing they fail to capture the multidimensionality of actors and the other networks that economic agents engage with such as family, kinship, religious or community networks traditionally seen as separate from organisational networks, a theme raised by Ettlinger (2003) and dealt with in section three of this chapter. It is also assumed that different types of ties have different spatialities: strong ties are often assumed to exist only at the local level, while weak associations are often twinned with non local connections that extend beyond the standard administrative regional boundaries (Grabher, 2004). I argue this binary is symptomatic of the overly territorial approaches to regional knowledge and innovation that I aim to disrupt through my research.

2.3.2.3 *Local Buzz*

An important concept that seeks to get beneath the surface of simple associations such as geographical proximity and network associations is the concept of local buzz (Bathelt *et al* 2004) which is concerned with how networks of communication and information linkages develop within clusters (Bathelt *et al* 2004). Buzz refers to the 'dense ecology of information and communication that is created by face to face contact, co presence and co location of people and firms within the same industry and place or region' (Bathelt *et al* 2004: 38). From just 'being there' local buzz captures the intended and unintended learning processes and continuous updates of information that arise from being within a certain milieu. As a result it is 'practically unavoidable' for agents to receive and hear

about information, rumours and news (Bathelt *et al* 2004: 38). The nature of buzz therefore is 'spontaneous and fluid' but generates 'manifold opportunities' (*ibid*) for personal meetings and communications that can be planned or occur spontaneously.

Bathelt *et al* (2004) also suggest local buzz is a useful metaphor to capture the shared cultural traditions, conventions and habits that can be established within in a particular innovative milieu or technical field. This illuminates the need to analyse groups or communities of actors and the way in which their traditions and conventions influences outcomes and has material affects. Bathelt *et al* (2004) also recognise that the diffusion of buzz within a cluster can be blocked and is not always distributed equally or as smoothly as intended to all firms or agents. This is because the diffusion of buzz is dependent on structures of social relations between local actors and firms and the history of interactions between them. I will return to both of these points, the strength of weak ties and local buzz in my subsequent analysis of networks and power.

2.4 Relational Analyses of Networks and Communities

This section is concerned with relational analyses of networks and communities. I argue that fusing together and drawing on facets of relational economic geography and the communities of practice literature creates an appropriate theoretical framework in which to frame my research questions and interpret my empirical material. The ideas advocated in both of these literatures draw together, extend and solve the outstanding problems and limitations I have so far identified in the previous two points of departure. Just to recite, these limitations included; the lack of attention given to money cultures in the new economic geographies literature; the overly territorially bounded accounts of the venture capital industry conducted in institutional approaches to money and finance; and the assumption that spatial proximity and co-location is a prerequisite for enabling successful associations, collaboration and sharing spatially sensitive advocated in institutional approaches to learning and innovation.

Arguably the latest of a series of twists and turns in geography (Hudson 2005), the '*relational turn*' in economic geography (Amin, 2004, Amin and Cohendet 1999, Allen 2000, Massey et al 2003, Massey 2004, Marston 2000) refers to a set of new spatial arrangements characterised by more topological ways of seeing space that no longer correspond to neat scalar or territorial packages (Amin and Cohendet 2004). Within this heuristic, places become defined as the sum of connections and networks of varying lengths, speed and duration that intersect and combine with human, technological and biological elements (Amin 2007: 102). Central to this explanation is that at all times 'these combinations are always rubbing against historically shaped territorial formations' (*ibid*). From this perspective neither networks nor territories are given preference, nor is one ontology displaced in favour of the other. Rather places are seen as sites of intersection between network topologies and territorial legacies (Amin 2007). This new relational perspective of space suggests that places on a map have come into existence via the subtle folding together of the distant and the proximate, the virtual and the material, presence and absence. In sum, then, relational accounts in new economic geography are defined by processes of spatial stretching, interdependence and flows, arguably foreshadowed by Harvey's (1989a 1989b) concerns for the way in which credit money allows capitalism to overcome the limits of geography and bring distant locations virtually proximate.

The emphasis on connectivity and networks plus the alternative spatial ontology advocated in relational approaches makes it a useful framework to overcome the territorially bounded treatments of venture capital I have identified as dominating the discipline so far. Relational approaches provide a sympathetic tool to examine the soft networks of stretched out contacts between venture capital agents that may extend beyond regional boundaries and in so doing problematise institutional accounts that equate spatial proximity with connections and successful associations. Relational accounts acknowledge how physically proximate agents, with similar jobs or complimentary profiles may in fact operate in isolation and be disconnected from one another. Examining configurations of non local relations and the way in which these can have material impacts within regions, or shape local economic trajectories makes us look

beyond localised sets of relations and institutional conditions *within* regions to understand uneven regional development (Yeung 2005).

I will now explain which facets of relational approaches I am using in this study, and how relational analyses of finance networks are useful to frame my research questions.

2.4.1 Facets of Relational Economic Geography

Although relational economic geography encompasses a broad and varied array of approaches and interpretations (Boggs and Rantis, 2003. Ettlinger, 2003. Allen, 2003. *Geografiska Annaler*, 2004) that 'defies easy summarising' (Amin 2007: 101) this section will outline two facets of relational geography that I consider important and influential for my research. For the purpose of this literature review each facet will be discussed briefly in isolation to make clear how I am interpreting and using relational approaches to interpret my empirical material.

2.4.1.1 Focus on Interactions Between Economic Agents

According to Bathelt and Glucker (2003) analysing the interactions between economic actors in specific contexts is at the core of their analysis and forms the basis of their framework for a relational economic geography. This is because interaction is seen as 'vital' and 'necessary' to facilitate other important processes of organising, learning and knowledge creation (Bathelt and Glucker, 2003:123). Consequently relational economic geography advocates understanding the intentions and strategies of economic actors and their patterns of behaviour to account for different organisational set ups and material outcomes across space. Yeung (2005) however warns against solely focussing on economic agents and argues that socio-spatial change is an outcome of the relations *between* actors and structures. It is therefore important to be mindful of the way strategies undertaken by economic agents are context specific and contingent on wider institutional structures.

This actor centred and process orientated relational geography is also mirrored by Ettlinger (2003) who at a micro space scale is concerned with examining the *spaces of interaction between people and their universes*. While Ettlinger (2003) attempts to de-homogenise trust into 'emotive' and 'capacity' forms and account for the way different forms of trust can engender collaborations and change in the workplace, ultimately she is concerned with the micro space of interactions between agents that do not necessarily have to be rooted or bounded to a particular locality, but instead can be stretched across space. Furthermore, Ettlinger's perspective attempts to engage with the multidimensionality of actors and the multiple and overlapping networks in which they are embedded. These include kinship, religious and community networks where the different types of trust Ettlinger describes are fostered. This perspective widens Grabher's (2004) insights that tend to focus mostly on intra and inter-organisational networks at the firm level.

The focus on interactions between finance agents concerned with lending means that I will be able to supply a more detailed analyses of an industry (venture capital) and set of agents that so far have yet to receive such treatment in economic geography. Unveiling the micro spaces of interactions between different finance agents in two finance communities will allow me to speculate about the degree of collaboration and associations amongst investor networks not necessarily rooted to a particular locale. By engaging with entrepreneurs experiences of seeking finance I will also be able to highlight if the ways in which finance agents organise and interact with one another have material consequences for, or make a difference to local entrepreneurs being able to secure equity and navigate the local economic landscape.

2.4.1.2 *Connectivity, Networks and Flows*

The emphasis on networks, connections and flows in relational accounts will allow me to examine the heterogeneous connections that venture capitalists in either case study region may have. By analysing networks relationally I am able to highlight how connections between venture capitalists can be forged and maintained at a distance and that physically

proximate finance agents may have attachments to dissimilar monetary networks that may extend across space and even regional boundaries . In so doing I escape accounts advocated by Grabher (2004) in the learning regions literature that assume certain kinds of ties can only exist in certain spaces or at certain spatial scales.

Yeung (2005) proposes that through configurations of actors institutions and their specific practices, unique capabilities may be generated to secure particular outcomes, while other types of associations can actually hinder productive and adaptive capabilities. Therefore in similar vein to the strength of weak ties (Grabher 2004), not all heterogeneous configurations have to be dynamic and evolving. Rather the potency of such constellations to generate 'emergent power' is highly contingent on the specific empirical context, structures and combination of agencies and institutions. In short, different configurations of local and non local connections unleash multiple and different forms of power and a comparative study between two sets of venture capitalists should be able to highlight this.

The concept of 'relational geometries' that is 'the spatial configurations of heterogeneous relations among actors and structures through which power and identities are played out and become efficacious' (Yeung 2005: 38) is a useful term to capture the amount of linkages and ties each finance agent has locally and non locally to other investor networks, whilst also illustrating the unevenness and heterogeneity in connections embedded within each finance community. In an original contribution, based on evidence from my interviews in two finance communities I intend to construct my own relational geometries. Although I am mindful of how the institutional environment influences the intentions strategies and actions of the economic agents (Yeung 2005), my geometries will be based on the networks of contacts of individual finance agents. This will highlight any asymmetrical attachments they may have to the more dominant circuits of capital, knowledge and people. In so doing I can speculate about the 'relational advantage' (Yeung 2005) of each finance community by which I mean how beneficial the heterogeneous constellations are to produce and secure economic change.

2.4.2 Communities of Practice

Nesting within the relational turn is the communities of practice literature pioneered by Wenger (1998) to describe how sets of people in a shared enterprise generate new knowledge, learn, and have unique outlooks on the world and their work. Although this chapter is not directly concerned with delineating its theoretical lineage, I touch on this literature because of the 'significant intellectual currency' it has gained over recent years in economic geography (Faulconbridge 2006: 520) to 'enhance the elegance of space sensitive examinations of learning' (*ibid*). The communities of practice literature therefore is a useful means of problematizing the spatial aspects of knowledge flows as it challenges the 'perceived wisdom' that tacit knowledge can only be exchanged between physically proximate agents (Allen 2004).

I also argue this body of literature is useful to push on and develop the concept of 'money cultures' which I claimed required further consideration in section 2.2.5. This is because the focus of the communities of practice literature is on understanding how agents acquire and embody certain sets of knowledges. By conceptualising venture capitalists and entrepreneurs as separate communities of practice it can account for the different meanings that agents attach to equity and their different ways of behaving in, and approaching the lending process. Therefore the communities of practice literature adds theoretical depth to, and develops the money cultures concept because it is able to account for the way in which dissimilar and incompatible practices, ideas and knowledges have come into existence and hence draws attention to the communities that underpin these money cultures.

The central argument within communities of practice is that it challenges the assumption that learning is merely reduced to 'something that individuals do' (1998:7). Instead Wenger (1998) suggests that learning is an inherently social process that comes largely from our experiences of participating in the 'rounds of daily life' (*ibid*). Rather than examining learning as the acquisition of certain forms of knowledge at the individual level or the sorts of cognitive processes involved, Lave and Wenger (1991) claim

learning takes place in a social context via 'situations of co participation' where people are 'active participants' in social communities (1991). Therefore Lave and Wenger (1991) are concerned with understanding what kinds of social engagements provide the 'right' context for learning to take place.

For communities of practice to function Wenger (1998) argues that they are predicated on three dimensions (1) mutual engagement, (2) a joint enterprise and (3) a shared repertoire of ways of doing things. Briefly, I want to elaborate on the third dimension. Wenger (1998) suggests each community needs to generate and appropriate a shared repertoire of ideas, knowledge, commitments and memories, as well as various shared resources such as documents, routines, symbols and vocabulary, which represent the tools that simultaneously both store and carry the accumulated knowledge of that unique community. In other words a community of practice involves distinct and unique ways of doing and approaching situations that are shared among the members.

Wenger (1998) also pays close attention to the multiple forms of practice. Firstly, he suggests that practice must be understood as a learning *process* and is 'neither stable nor randomly changeable' (1998: 48). Secondly practice should be conceptualised as a reflection of a set of situated meanings that have been socially constructed and thirdly, it is practice which acts as the source of coherence or 'glue' within a community. In some instances Wenger acknowledges that certain practices can create barriers to allow new entrants to enter certain communities or further extend the practice (Wenger 1998).

I am mindful that the term community often denotes characteristics of harmony and cohesion (Bogenrieder and Nooteboom 2004). For the purpose of this research I neither accept nor transfer this interpretation into my own work when referring to communities of finance agents or entrepreneurs. Merely, I use the term as a way of capturing or referring to the sum total of venture capitalists or entrepreneurs in either of the case study regions.

Although much of the communities of practice work originated in, and has mainly been debated in management and organisational theory literatures, the community of practice literature was arguably the first place where more topological understandings were introduced that started to problematise the spatial aspects of knowledge flows. This is attributable to its preoccupation with the processes involved in the *production* of knowledge, *spaces* of knowing and also the different ways in which knowledge *moves and flows* particularly across firm boundaries. Fusing together the communities' of practice literature and relational economic geography produces a lexicon of concepts that explain how agents interact and transfer knowledge within networks. This approach also transcends more territorial explanations advocated elsewhere in institutional economic geography that emphasise physical proximity to both share and move knowledge. Drawing on these concepts (discussed below) this research will be able to explain why physically distant finance agents are still able to intersect and do business together and move away from more territorially rooted explanations of venture capitalists behaviour.

2.4.2.1 Relational Complementarities

The concept of *relational complementarities* (Yeung 2005) refers to cognitive, cultural, social or structural similarities between economic agents and adds theoretical depth to account for the way in which heterogeneous constellations of venture capitalists that are spatially dispersed may be part of the same network. Yeung (2005) argues that the more there is a complimentary 'fit' between actor's strategies and structural imperatives, the more it reduces the potential for conflicts and resistance to allowing alliances to be forged and intended outcomes realised (Yeung 2005). Put another way relational complementarity denotes the way in which different economic agents benefit from each others co presence and co-engagement, a similar concern to that of local buzz (Bathelt *et al* 2004). Given that Yeung (2005) advocates examining external connections and flows as well as local flows to understand economic change in a specific context, the concept of relational complementarities is useful to explain the importance of non local connections in shaping local economic change plus the way spatially dispersed agents can still

achieve certain outcomes that may have material impacts for local entrepreneurs seeking finance.

2.4.2.2 *Organisational Proximity*

Relational complementarity compliments the idea of 'organisational proximity' a notion offered by Amin and Cohendet (2004) to explore the strategies that trans-national companies use to support learning across different sites. It refers to the way in which interactive learning does not necessarily have to be rooted in physical and institutional geographical closeness (Gertler 1995) but can also be based on organisational or occupational ties maintained over distance through communication and collaboration. From this perspective Amin and Cohendet (2004) view learning taking place over distance in the form of extended knowledge communities, consisting of members with similar occupational roles or common tasks in different parts of the corporation. Through these shared corresponding enterprises, understandings and practices, members are seen to create the *relational proximity* necessary for knowledge to be shared (Amin and Cohendet 2004, Vallance 2007). From this perspective the local/tacit binary is decoupled because it advocates how economically valuable knowledge is able to be both accessed and produced through relational spaces instead (Amin and Cohendet 2004, Falconbridge 2006).

2.4.2.3. *Relational Proximity*

While organisational proximity refers to a shared set of approaches derived through similar job roles specific to a firm, the notion of relational proximity has similar connotations but extends beyond specific firms and refers to a shared ethos, language and approach to work everyone in an industry shares. The industry can be in multiple geographical locations but relational spaces of shared approaches and ethos can still allow learning and collaboration between the agents to take place and tacit knowledge to be accessed and produced (Blanc and Sierra 1999 in Faulconbridge 2006: 520).

2.4.2.4 *Embedding Circumstances*

Brown & Dugoid (2001) claim that we need to examine the '*distinct embedding circumstances*' (2001: 205) of each community of practice to be able to ask *where* and *why* practices are common, and where they are not, to account for the movement of sticky, leaky and sticky/leaky knowledge. Crucially Brown and Dugoid (2001) argue that for knowledge to move or be circulated, knowledge has to become 'dis-embedded' in one place and 're-embedded' (*ibid*) in another. The critical question concerns the degree to which the embedding conditions at both ends of the communication relationship are similar enough to allow a successful transfer of knowledge.

2.4.2.5 *Cognitive Distance and Similarity*

Although Bogenrider and Nootboom's (2004) approach is more psychologically orientated and ignores the vector of space and place, they stress the importance of '*cognitive distance and similarity*' (2004: 291) between different agents to enable efficient communication and interaction. In their analysis they suggest a precarious tipping point between the 'right' balance of cognitive similarity and distance: if the distance is 'too similar' there is a chance that more effort will be required between the two interacting agents to appropriate new skills and react to new ways of doing things and the community may become sclerotic or locked in. Bogenrider and Nootboom's (2004) work instead resonates with the work of Grabher (1993), and Schoenberger (1997) who have both examined dysfunctional communities of practice at the scale of the region and the firm respectively. Bogenrider and Nootboom's (2004) work is particularly useful for this study. Their preoccupation with examining inefficient and less successful exchanges of information within communities of practice resonates with my research which focuses on two venture capitalist networks not traditionally known for their potency and vibrancy.

The different relational complementarities, organisational proximity, embedding contexts or cognitive similarities embedded in each venture capital community will be a useful

lens through which to interpret my empirical material. Using the above concepts I will be able to explain *how* and *why* spatially dispersed venture capital agents may be able to intersect and enter into similar financial networks. Or, explain how physically proximate agents may operate in different networks as a result of their organisational distance from each other.

Utilising this literature also challenges the assumption that venture capitalists will only invest in deals in close territorial proximity (Klagge and Martin 2005, Mason and Harrison 2002, 2003, Sunley and Klagge *et al* 2005). A relational perspective can provide the theoretical explanation to account for how some venture capitalists can make investments beyond their immediate locality providing there is enough 'complimentary fit' (Yeung 2005) or relational proximity (Amin and Cohendet 2004) with the agents they are doing business with.

2.4.3 The Movement of Embodied Financial Knowledge

After reviewing literatures broadly concerned with geographies of money and finance, the mechanisms by which embodied financial knowledge is moved and circulated between agents in monetary networks are not yet clear. This neglect in the literature is somewhat ironic given the theoretical and empirical attention that has been devoted to understanding how mainly technical knowledge in all its tacit/codified, tacit or codified forms are transferred within learning regions, industrial districts and more recently spatially dispersed communities of practice.

Currently, the closest explanation into the movement of embodied financial knowledge is through Thrift (1994) who suggests that the agglomeration of financial experts in financial centres like the City of London generate, handle and interpret large amounts of financial information into financial narratives which are then 'transmitted' across the rest of the globe via monetary networks. Exactly how this financial information is transmitted, to *whom* and *where*, remains unanswered. Additionally Thrift's work is grounded in one of only three global financial centres and reflects a very situated

explanation providing little insight into the mechanisms and processes of financial networks in the context of more 'ordinary' or 'lagging' regions'.

By drawing on concepts which traditionally have been applied elsewhere in economic geography, I am able to fill this theoretical and empirical hole and explore an industry which has a very different set of practices and knowledges attached to it than those associated with learning regions or industrial agglomerations. Drawing on concepts that examine the *spaces* and *practices* of knowing I will firstly, be able to demonstrate empirically how financial knowledge is transmitted and circulated between economic agents, secondly, account for an asymmetrical landscape of financial knowledge and thirdly, explore if an asymmetrical landscape of financial knowledge produces material outcomes for both local finance agents and entrepreneurs seeking finance.

2.4.4 Lost Geographies of Power? Exploring the Micro Economic Power Relations in Financial Relationships

A final original contribution of this thesis is that it will examine the different types of power relations inherent in the financial relationships associated with the venture capital industry, which to date remain under theorised. Still within a relational vein I seek to unveil the often asymmetric power relations between agents in the micro economic context of lending and highlight the multifaceted and discursively produced layers of power in these relationships.

To support such an account I will use insights from Allen (1997, 2003, 2004, 2006) whose networked approach to power suggests that it is a 'relational effect of social interaction' (Allen 2003: 7). As Allen (2003) understands it, people experience power 'first hand' through mediated rhythms and relationships of particular places and times. In this sense power does not flow unproblematically across space but instead is always mediated by sets of socio-spatial configurations. Ultimately Allen (2003) is concerned with 'regaining sight of the many diverse modes and conceptions of power' (2003: 12) and to weave these in to a more 'geographically curious dialogue of power' (*ibid.*). By

conceptualising power as a *medium* that is brought into being through the mobilisation of collective or individual resources, the ability of certain economic agents to mobilise and exploit resources and to use them to secure specific outcomes lies at the heart of Allen's understanding of power. For Allen (1997, 2003) power does not have a solid form but instead, is represented as a fluid and amorphous medium making it difficult to locate. Allen (1997 2003) like Yeung (2005) suggests that to secure specific outcomes, power is often produced by 'strategic alliances' hence his idea that networks of social relations produce power. Once certain goals have been achieved these alliances can expand, diminish or break up. In this context power is understood as having the 'potential' when exercised, and as the means to getting things done. This implies that power is continually in circulation across space in variable and context bound modes. Using the North East and East Midlands as a lens the following chapters will attempt to recover some of the lost geographies of power and 'relational peculiarities' that different finance agents attached to the venture capital industry experience. Plus the way in which finance agents negotiate the multiple modalities rhythms and constraints of power in relation to their local context.

2.4.5 Recovering Lost Geographies of Power in the Venture Capital Industry

2.4.5.1 The 'Power To'

An obvious asymmetrical power relation is between the entrepreneur as a supplicant seeking money from a venture capitalist. By virtue of their job venture capitalists occupy privileged positions in economic networks. They are also key gatekeepers in the financial landscape given they possess the resources to start up or expand a business by mobilising equity, but are under no obligation to do business with an entrepreneur (Stross 2000). Before venture capitalists mobilise equity the entrepreneur has to meet certain kinds of criteria, some of which are more tacit and latent than perhaps the entrepreneur necessarily realises (Wray, 2003). Before an investment is made rather than the venture capitalist exercising power 'over' the entrepreneur via authority and domination, the venture capitalist has the 'power to' determine certain kinds of outcomes in certain places.

Alternatively because entrepreneurs have to conform to a particular set of requirements to satisfy potential investors entrepreneurs could be seen to have to 'seduce' a venture capitalists to receive equity, thus highlighting another dimension to the power relations involved in lending networks.

2.4.5.3 Domination and 'power over'

Once an investment has been made the venture capitalist is able to exercise 'power over' the entrepreneur in more traditional modes of authority and domination. The large shareholder stake means venture capitalists possess the power to influence and shape the direction of the business while the entrepreneur is *powerless* to contest this due to their dependence on the investor. Once a venture capitalist has exited from the financial contract the power inherent in the 'strategic alliance' could be seen to dissolve. The different stages concerned with equity funding illustrates the multiple modes of power present within the micro economic dynamics of firm finance. Ultimately the relationship between venture capitalists and entrepreneurs is useful to highlight the temporal mediated and amorphous nature of power embedded in sets of financial relationships.

2.4.6 Power Relations between Venture Capitalists

Examining the modes of power inherent in investor networks will provide an insight into the different ways that power is mediated and exercised by different venture capitalists across space and the way different modes of power are 'felt' and experienced by venture capitalists in different parts of these financial networks.

I suspect some venture capitalists who are disconnected from certain investor networks, and who only have a set of partial financial knowledges, may have difficulty in exercising the 'power to' secure particular outcomes or form strategic alliances.

Only by doing the empirical work will this research be able to unveil the different modalities of power that are relationally and materially experienced by different economic agents attached to the venture capital industry in different places.

2.5 Conclusion

Utilising facets of relational economic geography and the communities of practice literature, this overview has been able to draw together aspects of three separate bodies of literature: political economy approaches to the role of finance in uneven development, new economic geography approaches to money and finance, and institutional approaches to regional knowledge and innovation. Using relational economic geography and communities of practice literature I have been able to overcome and solve the problems I identified in these literatures and develop a suitable theoretical framework in which to interpret my empirical material.

In sum, the new economic geography literature provides a more culturally and socially embodied perspective on the geography of money and proposes a series of money cultures. By conceptualising venture capitalists and entrepreneurs as belonging to different communities of practice, whilst recognising venture capitalists as critical gatekeepers, I can develop the concept of money cultures by analysing the community groups that underpin them. The different financial knowledges and practices embodied by the different agents involved in lending help to explain how mismatches in the demand and supply for finance i.e. finance gaps can emerge in the venture capital sector in less favoured regions.

The second point of departure I drew attention to in this overview is how institutional economic geography approaches highlight the way in which individual action and behaviour is both situated in, and influenced by, the different institutional architectures the agents are embedded in, while also recognising how institutional architectures shape regional development trajectories. Although this body of literature is useful to highlight the mechanisms that underpin geographical agglomerations of similar or complimentary firms, and describing the way in which knowledge is circulated and transferred within these clusters, this literature has a tendency to prescribe a spatial fixity to these processes. Relational approaches go beyond the territorial grounding of this latter approach. Drawing on concepts developed in relational economic geography such as relational

proximity, organisational distance and relational complementarities which describe how distant agents are able to intersect, share knowledge and remain familiar, this research problematizes accounts that equate physical proximity and the local scale with successful connections and associations. Additionally these concepts are also useful to explain how financial knowledge is circulated through monetary networks resulting in an asymmetrical landscape of financial knowledge.

The alternative spatial ontology advocated in relational economic geography allows the traditionally territorial accounts of the venture capital industry to be overcome. Undertaking a topological analysis of networks of venture capitalists and constructing relational geometries of each finance community will reveal the local and non local heterogeneous configurations of venture capitalists that are stretched across space and 'relational advantage' of each finance community. By examining the attachments that finance agents have to other networks of investors, capital and knowledge will allowing me to speculate to what extent (un)intended outcomes may or may not be realised through these configurations and the difference these connections may have for local entrepreneurs securing equity in the less favoured region.

In Context: The Venture Capital Industry, the North East Region and the East Midlands

3.1 Introduction

The objective of this chapter is to provide the context for the discussion of the empirical findings which follows in chapters five, six and seven. This chapter is organised into three parts. Firstly, I will begin by defining what is meant by venture capital and introduce some of the distinct features and vocabulary associated with venture capital transactions. In the second part of the chapter, the key debates on literature concerned with venture capitalism and regional development will be outlined. Here, the prominent role that venture capitalists play in underpinning competitive and innovative knowledge economies is raised, together with how different types of venture capital activity pose different challenges to regional development. Still within section two, the geography of the venture capital industry will be outlined as well as other facets pertaining to the industry such as the regional distribution of investments by stage and sector. Throughout these discussions specific attention will be given to how the venture capital industry unfolds in the North East and East Midlands and the different attachments the case study regions have to the decisive circuits of equity.

To understand better how both case study regions are positioned by the venture capital system some broader context will be introduced, which also serves to justify my choice of case study regions. Two main reasons underlie my choice of case study region. Firstly, in broader debates concerned with regional development, both the North East and the East Midlands are perceived as 'problem regions' (Hudson 2005) and neither are characterised by high levels of economic growth, innovation or entrepreneurship. Secondly, neither region is considered an exemplar in terms of their levels of venture capital activity making this study all the more interesting.

The final section of this chapter will focus specifically on my case study regions. Using secondary material, the financial architectures of the North East and East Midlands in terms of their indigenous equity funds will be illustrated. This will provide an opportunity to highlight the key regional institutions within the local financial architecture that channel and manage equity, and to consider how the different financial architectures may shape the empirical findings.

3.2 Venture Capital: Transactions, Technicalities and Vocabulary

Before progressing with the chapter it is important to make clear some of the definitional issues related to venture capitalism, and the way in which I understand the industry and its terminology for the purpose of this research.

3.2.1 Defining Venture Capital

Defining venture capital is not a straightforward process: it is often synonymous and used interchangeably with terms such as 'equity finance' or 'private equity'.

According to the British Venture Capital Association (BVCA), venture capital or private equity 'is medium to long-term finance provided in return for an equity stake in a potentially high growth, unquoted company' (BVCA 2004: 6). In other words venture capital is a specialised form of industrial finance to allow firms to start up, grow and expand (Mason and Harrison 2002, 2003). For the purpose of this research venture capital, private equity, equity finance or equity are interchangeable and refer to monetary investment made by a venture capitalist or business angel into a new or pre-existing firm.

In return for their monetary investment, venture capitalists receive an equity stake or shareholding in the company and hence become part owner of the company. A single venture capitalist would never take more than a fifty percent equity stake because this would mean they would own the business, and this is not their aim. Normally venture capitalists want to make a three to five times return on their initial monetary investment within three to five years (BVCA 2004, Researcher Interviews). This

means that venture capitalists only tend to invest in ventures that they perceive to have high growth potential and are capable of providing a return on their investment.

Venture capitalists are not a homogenous group; there are numerous different types of investors and venture capital firms. *Corporate Venture Capital* refers to a venture capital firm that is owned by a larger financial institution such as a bank or pension fund. Here the venture capital firm acts as the investment arm of a given firm.

Professional venture capital firms refer to firms who get money from financial institutions such as banks, pension funds and governments to invest on their behalf. Professional venture capital firms often manage a number of funds (VC Experts, 18.12.2006).

Business angels are wealthy individuals not attached to professional firms but provide financial backing to very early stage businesses. It is often argued that angel investors are typically entrepreneurs themselves who have become wealthy, often in technology-related industries and therefore have the 'right' skills to support and coach entrepreneurs (Florida and Kenny 1988), though as this thesis will later demonstrate this is not always the case. While some business angels join a specific business angel network, other 'angels' work in isolation or through kinship networks to find out about investment opportunities. Furthermore not all business angels identify or represent themselves as such.

The defining feature of any venture capital transaction is that the investment is unsecured. Unlike a bank loan which is secured, in a venture capital transaction if the investee company does not grow or is not profitable, then the investor loses their investment. This means that venture capital investment has a considerable degree of risk attached to it and makes venture capitalists very selective about whom, and in what, they invest (Stross 2000). Consequently investors are under no obligation to do business with just any entrepreneur that is seeking finance. To overcome and manage the risk associated with this type of unsecured investment, one strategy is for venture capitalists to have a portfolio of investments in different industrial sectors to spread and minimise the risk, although some venture capital firms specialise and only invest in specific sectors such as biotechnology.

Before any equity is mobilised entrepreneurs have to submit a business plan and meet a certain set of criteria set by the venture capitalist. A business plan refers to the 'document that describes the entrepreneur's idea, business and revenue models, marketing strategy, technology, company profile, competitive landscape, as well as financial data for coming years' (VC Experts, 18.12.2006). The business plan opens with a brief executive summary, most probably the most important element of the document due to the time constraints of venture capital funds and angels (Wray 2003).

Often the most important criterion that determines if a venture capital investment is made is the strength of the management team, by which I refer to the agents who run the company and are in charge of delivering the business plan (Wray 2003). I argue that this key criterion implies that venture capital financing is not a frictionless process and dependent on having a good business plan but instead, and so far overlooked within economic geography, the decision to mobilise equity investment is a culturally nuanced process mediated by judgement and trust. Investors have to be confident that the management team have the drive, ability and the appropriate skills to deliver the business plan and grow the company. This implies that venture capital transactions ultimately involve investors and entrepreneurs entering into social relations of trust.

An exit strategy is the method used by an investor to harvest or liquidise their holdings while achieving the maximum possible return from their investment. There are a number of exit strategy choices which depend on the current exit climates, such as market conditions or industry trends. Exit strategies include selling or distributing the portfolio company's shares after an initial public offering (IPO), selling the portfolio company, flotation or an acquisition.

A business goes through a number of different stages in its lifecycle which influences the types of equity finance that a business can apply for. Put another way, 'private equity firms define the stage of a company's development by the purpose for which the financing is required' (BVCA 2004: 16). The table 3.1, taken from the BVCA (2004: 16), provides their outline of the different kinds of funding.

Table 3.1 Types of venture capital investment by stage

Type of Investment	Description
Seed corn	To allow a business concept to be developed, perhaps involving the production of a business plan, prototypes and additional research, prior to bringing a product to market and commencing large-scale manufacturing.
Start up	To develop the company's products and fund their initial marketing. Companies may be in the process of being set up or may have been trading for a short time, but not have sold their product commercially.
Other early stage	To initiate commercial manufacturing and sales in companies that have completed the product development stage, but may not yet be generating profits.
Expansion	To grow and expand an established company. For example, to finance increased production capacity, product development, marketing and to provide additional working capital. Also known as "development" or "growth" capital.
Management Buy Out	To enable a company's management to acquire the business they manage with the assistance of some incoming management
Management Buy In	To enable a manager or group of managers from outside a company to buy into it.

(Source BVCAb, A guide to Private Equity 2004, <http://www.bvca.co.uk/definitions> accessed 15th December 2006)

Mason and Harrison (2002) distinguish between two different types of venture capital activity; 'classic' and 'merchant' venture capital deals. Classic venture capital is equity that is orientated towards financing the seed, start up and early growth stages

of businesses (Mason and Harrison 2002). These kinds of investments are typically 3. high risk: often there is no proven market, management team or product. Mason and Harrison's (2002) version of classic venture capital deals would tally with the first three categories in

Table 3.1 set out by the BVCA (2004).

Merchant venture capital operates in stark contrast to classic venture capital and often refers to deals done on management buy-outs (MBOs) and management buy-ins (MBIs) (Mason and Harrison 2002). These types of transactions pose far less financial risk; venture capitalists are dealing with established products, markets and proven management teams. This kind of investment is mainly funding a change of ownership of a pre-existing company. These kinds of deals often require hundreds of thousands, even millions of pounds, and tally with the last three categories of the BVCA Table 3.1). It is important to note that Merchant and Classic venture capital transactions pose dissimilar consequences and challenges for local and regional development which is discussed fully in section 3.3.5 of this chapter.

3.3 Geographies of Money and Finance and the UK Venture Capital Industry

This section will outline the unique geography of the venture capital industry and the challenges this poses for uneven regional development. This section will also indicate why I have chosen to focus on the North East and East Midlands regions and outline the character of the venture capital industry within the case study regions.

Arguably underpinning and partly funding the venture capital industry has been the phenomenon of 'pension fund capitalism', a phrase coined by Webber and Rigby (1996) which according to Clark (1999), refers to the rise in the number, and relative power, of private pensions funds in the late 20th century. The UK private pension fund industry is believed to 'yield considerable influence over equity markets' (Martin 1999: 254), and has fuelled the extraordinary growth of the UK venture capital industry since the late 1980's (Martin 1999, Clark 1999, Mason and Harrison 2002).

To demonstrate this phenomenal growth of pension fund capitalism, Table 3.2 shows how since 1980 three investment categories stand out in terms of their relative growth – these are pension funds, unit trusts and UK securities. Conversely, building societies, bank deposits and national savings have registered significantly lower rates of increase over the same period of time (Clark 1999: 250).

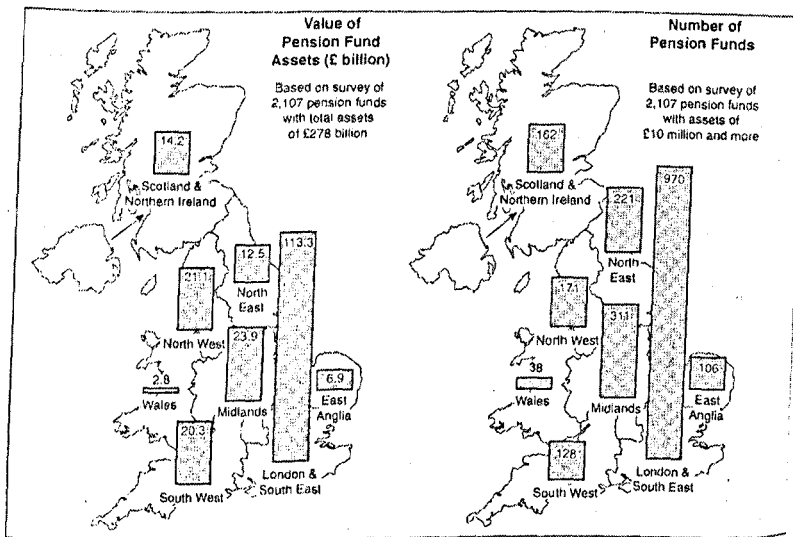
Table 3.2 Personal Sector Gross Financial Assets for the UK in 1980, 1990 and 1996

Financial Asset £1,000's	1980	1990	1996
Bank Deposits	37.4	157.3	219.6
Building society deposits	57.6	160.0	210.0
Government Securities & Debt	13.8	10.4	12.3
National Savings	12.1	35.6	61.3
Overseas Investments	4.5	12.0	15.9
Pension life? Assurances	106.6	528.0	1080.3
Trade Credits	14.8	42.0	51.8
Unit trusts	3.0	18.2	60.0
UK Securities	38.4	171.1	336.4

(Source: Clark in Martin 1999: 250)

A key debate that has accompanied this growth of private securities has been recognition that pension fund capitalism has the potential to reinforce regional inequalities, a reflection of the highly centralised nature of the pension fund industry (Figure 3.1), concentrated in the City of London. In their 1995 study on the pension fund industry, Martin and Minns (1995) found that of £408 billion of pension fund assets, £248b were managed and controlled by South Eastern based companies in 1992.

Figure 3.1 Regional Distribution of the Largest UK Pension Funds

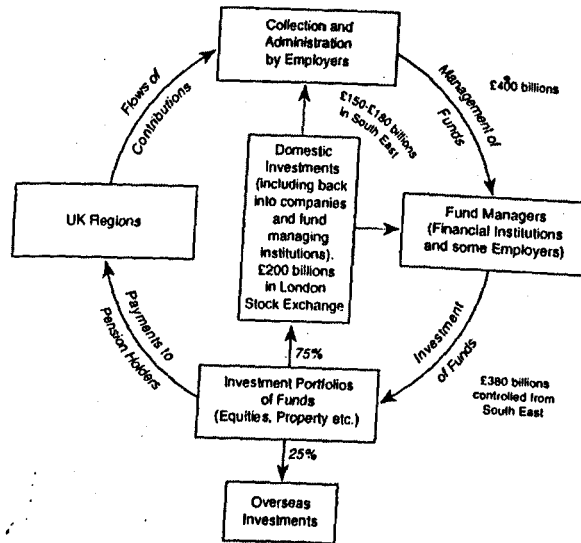


(Source: Martin and Minns 1995: 134)

This discovery led Martin and Minns (1995) to suggest that money and capital generated in regional economies is systematically sucked from non core regions via biased circuits of finance that return to the City. Only periodically are small amounts of money dispersed back to the regions in the form of either payments to pension fund holders or equity as demonstrated in figure 3.2. In short Martin & Minns (1995) argue that pension funds are undermining the financial basis of regions 'by extracting savings...and centralising the investment in one region' (1995: 139)

Now the considerable growth, influence and spatial centralisation of the pension fund industry has been established, the next section will discuss the key debates associated with venture capital and uneven development. The spatial variations in the distribution and take up of venture capital across the UK will also be outlined.

Figure 3.2 Diagram to show the Circuit of flows of the UK Pension Fund System



(Source Martin & Minns 1995: 139)

3.3.1 Venture Capital and Uneven Regional Development

Twenty years ago Mason (1987) first highlighted the concentration of venture capital investments in the South East of England, and Florida and Kenny (1988) suggested venture capital is a vital ingredient for creating innovative entrepreneurial regional economies. Nevertheless, only since 2002 has the spatial distribution of venture capital investment has received significant attention in economic geography (Mason and Harrison 2002, 2003, Klagge and Martin 2005 Sunley & Klagge *et al* 2005)

To date, the study of venture capital remains underdeveloped compared to the core economic geography and regional development topics such as innovation, learning regions, clusters and the knowledge economy. This partial neglect of venture capital is ironic given that venture capital often underpins and facilitates many of these processes. Additionally, the most detailed and empirical studies on venture capital have tended to concentrate on very specific places where the venture capital industry is buoyant, works well and where, from a regional development perspective, meets its remit by fostering indigenous business formation. This has lead to a body of work that has focussed on the venture capital industry in Cambridge, UK (Klagge and Martin 2005, Keeble and Wilkinson, 2000, Sunley and Klagge *et al* 2005), Boston, USA

(Babcock-Lumish, 2004) and Silicon Valley (Saxenian 1994, Zook 2002). Although informative this empirical and theoretical focus on the successful and exemplar regions can only provide a partial and situated picture of the venture capital industry. The aim of this study is to remedy this neglect and focus on the processes and practices of the venture capital industry in two English regions, – the North East and the East Midlands, that are not well known for their buoyant venture capital industries and vibrant, innovative regional economies. Such a focus will compliment studies on the positive role of finance in local development and instead explore equity finance in a more challenging regional environment.

Despite the relatively modest amount of research on venture capital in economic geography, the important role that venture capital plays in facilitating innovation and growth is well recognised. Sunley and Klagge *et al* (2005) claim that innovative and entrepreneurial regional economies demand healthy supplies of equity to develop new economic activities and small technological enterprises. Elsewhere, Mason and Harrison (2002, 2003) argue that the availability of venture capital investment is perceived to have a propulsive effect on indigenous business formation in localities and plays a central role in facilitating and supporting the entrepreneurial process. Additionally, venture capital is also recognised as having an integral part of a well-developed local technology infrastructure (Florida & Smith 1995, Saxenian 1994). Therefore, a shortfall in the availability of funds and offices may also lead to long term negative impacts on innovation and growth. Given that venture capital investment can be used to prove a business concept, help start up a businesses or allow business expansion, a plausible argument is that in some localities, venture capitalists are also seen as venture ‘catalysts’ and are key agents within the institutional terrain who add to a locality’s institutional thickness and vibrancy (Keeble and Wilkinson 2000, Mason and Harrison 2002, Amin and Thrift 1995).

Drawing on the different types of capital investment (merchant and classic) discussed in section 3.2.1, I now want to extend the implications that these different types of investment is perceived to have for local and regional development. Mason and Harrison (2002) discuss how classic venture capitalists are often entrepreneurs themselves. Consequently they possess ‘company building and harvesting skills’ (Mason & Harrison 2002: 430, Saxenian 1994). From this perspective classic venture

capitalists add value to new business start ups, because they often sit within 'extended networks that link financiers, entrepreneurs, head hunters and consultants. Classic venture capitalists are perceived to have a propulsive effect on both business formation but also in strengthening the economic development of a given region or locale' (Florida & Kenny 1988: 4-5 in Mason & Harrison 2002). In short these are key agents that foster innovative and entrepreneurial economies.

Merchant venture capital which corresponds with later stage deals such as MBO/MBIs operates in stark contrast to classic venture capital. This is because these kinds of deals actually 'de-emphasises company building skills' and instead seeks to add value by means of 'financial engineering skills which often involve corporate restructuring' (Mason & Harrison 2002: 430). Therefore such deals do not add value to local economies in the same way that classic venture capital deals do as no new firms are created. Merchant venture capital can also have numerous adverse affects on local economies. Firstly, these deals can lead to unemployment as the original management teams are often made redundant (Mason and Harrison 2002). Secondly, the deal crafting and sophisticated accounting skills possessed by merchant venture capitalists are not seen to add to the institutional thickness of a region. Thirdly, merchant venture capital deals can distort the ownership structure of local firms as many of the institutions making these investments are located in the core regions (Martin and Minns 1995). Financial and ownership structures can become dis-embedded from the locality as 'local' companies are externally owned and controlled, while profits return to the significant shareholders which are more than likely to be located in the most dynamic parts of the country (Pike 2006, Wray 2003).

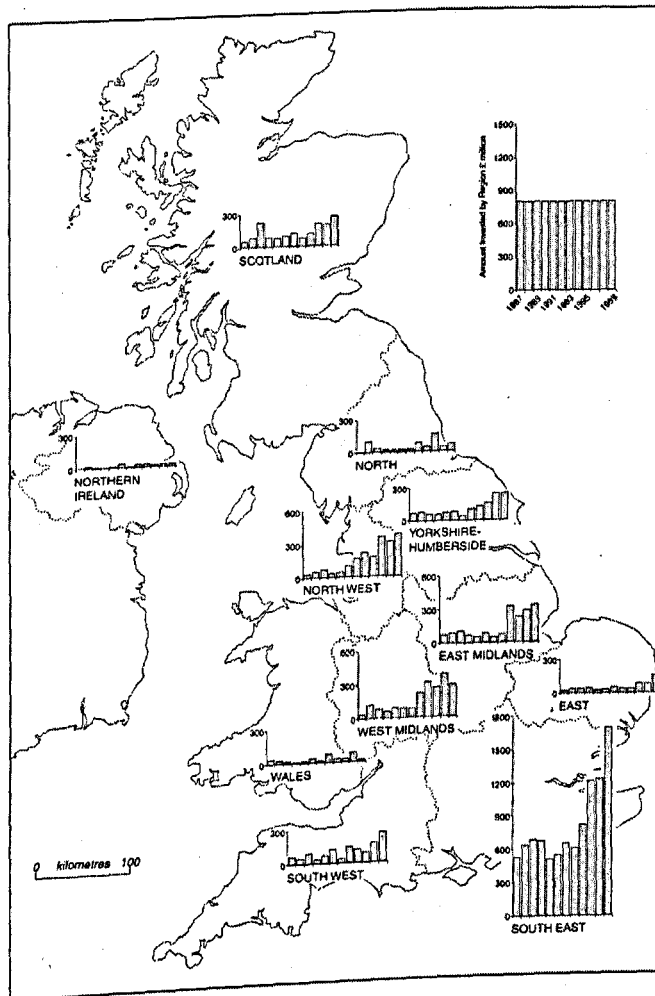
Thus, different types of venture capital deals pose different implications for local and regional development. To understand better how venture capital activity contributes to strengthening local economic bases and vibrant local economies the type of investment need to be considered.

3.3.2 The geography of the UK Venture Capital System

To illustrate the distinct and spatially skewed geography of the UK venture capital industry Figures 3.3 and 3.4 show the distribution of venture capital investments by region.

Although fairly dated, arguably reflecting the limited work done on the venture capital industry, in figure 3.3, between 1987-1998, the South East consistently secures the highest value of venture capital investment as opposed to the North East which received the lowest value of investments. This suggests that in the North East the venture capital industry is relatively small scale or that there are considered to be few high value investment opportunities. Meanwhile, year on year the East Midlands secures higher value investments than the North East, particularly between 1995-1998 where the value of the venture capital investments rose considerably. In comparison to the South East, however, both case study regions perform relatively poorly at securing high value investments.

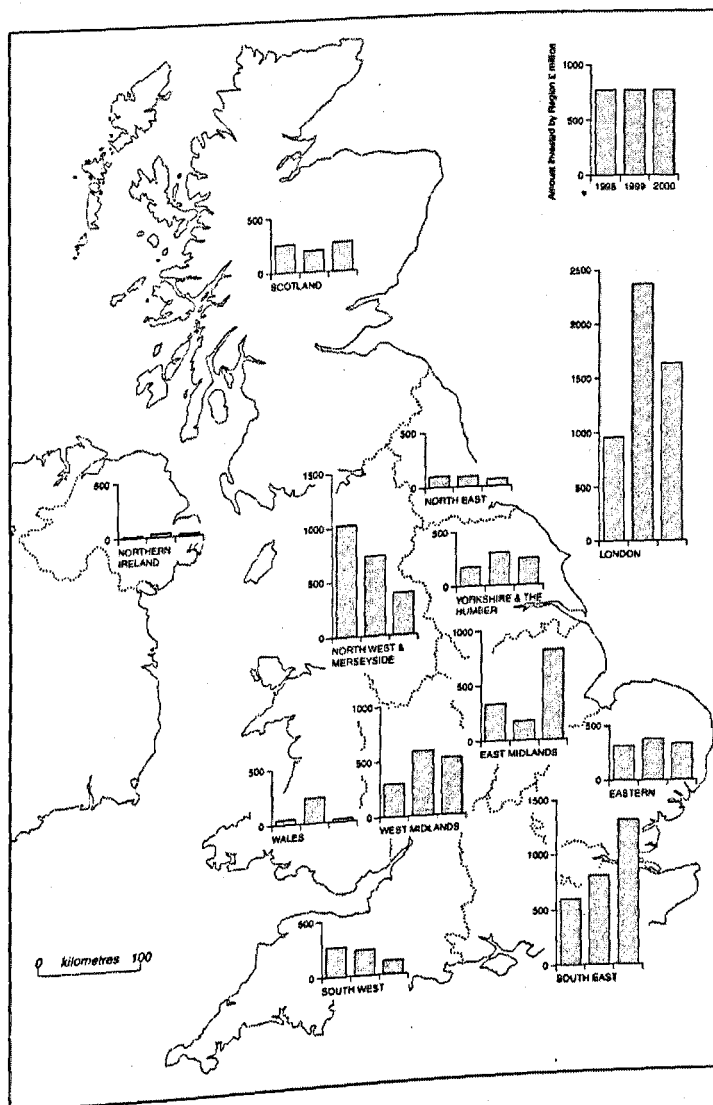
Figure 3.3 Regional Distribution of venture capital investments by value, Standard Statistical Regions 1987-1998



(Source: Mason & Harrison 2002, 439)

Between 1998-2000 (figure 3.4) the established geography and distribution of investment remains largely unchanged.

Figure 3.4 Regional Distribution of venture capital investments by value, Government Office Regions 1998-2000



(Source: Mason and Harrison 2002: 440)

The North East persistently displays the lowest level of investment in terms of value of all the UK regions. The East Midlands receives a higher proportion of higher value investments, and in 2000 has the highest level of large investments of all the UK regions outside the South East. That said, the absence of investments in the non core regions outside the South East. That said, the absence of investments in the non core regions are not necessarily a product of a spatial mismatch in the demand for and supply of venture capital, but instead, the dynamics underpinning local finance gaps at the local level are more culturally nuanced than what current literature on venture capital and regional development suggests.

To account for the sharp growth in the value of investments in practically all the English regions, apart from the North East, Mason and Harrison (2002) traced how in the 1990s the initial spatial concentration and distribution of venture capital activity became more 'diffuse as the industry has grown and matured' (2002: 428). They also traced the opening of a number of regional branch offices by the main venture capitalist firms such as 3i in Leeds, Birmingham and Nottingham which have now since closed. During this time the uneven distribution of venture capital investment became less marked and regions such as the 'North West and West Midlands gained more than their 'expected' share of venture capital investment.' (Mason and Harrison 2002: 438) Despite the distribution of investments becoming slightly more even, much of the returns generated in the regional branch offices were likely to be returned to the headquarters of the main venture capital companies rather than retained locally for further investment (Mason and Harrison, 2002).

Before building on this snap shot of the geography of the UK venture capital industry, I will now provide information on, and justification for, the two regional case studies in this research.

3.3.3 Introducing the Case Study Regions

Although there are broader methodological reasons which govern my choice of case study regions (covered in chapter four), I have chosen to focus on the North East and East Midlands due to some of the interesting similarities and differences between them.

Broadly speaking two main reasons underlie my choice of case study regions. Firstly, both regions are not considered exemplar in terms of their levels of venture capital activity. Consequently both regions are yet to debut in detailed studies concerned with venture capital. By focussing on problem regions, I will be able to produce an alternative empirical financial narrative associated with more challenging financial landscapes (Whatmore and O'Neill 2000)

Within wider debates concerned with regional development, both regions are not generally renowned for their iconic growth or high levels of innovation and

entrepreneurship which is the second reason for choosing these two regions for case studies. While the North East is frequently constructed as an 'old industrial region' and a 'branch plant economy' (Pike 2006, Hudson 2005) the East Midlands is considered a 'middling region' (Hardill *et al*, 2006) due to its average performance against a number of economic performance indicators that demonstrate neither dramatic growth nor decline (Crewe 1995). In both regions, the industrial structures and histories of deindustrialisation help account for their modest economic performances.

Both regions have similar but not identical industrial histories which I argue will provide a more nuanced analysis to understanding the emergence and dynamics of local finance gaps. During the nineteenth century both regions formed some of the UK's industrial heartlands and were built up around industries such as chemical, steel, shipbuilding and coal in the North East (Byrne 2002, Hudson 1989, 2005) and mainly textiles, clothing manufacturing (including lace, leather and shoes), steel and coalmining in the East Midlands (Crewe 1995). Both regions enjoyed relatively wealthy regional economies and were tied into international export markets.

From the middle of the twentieth century the 'boom conditions' (Hudson 2005) enjoyed by these regions in the nineteenth century evaporated. Once 'cradles of capitalism' (*ibid*) both regions have had to reassert themselves in the national and global economy and adapt to new forms of capitalist accumulation. The slightly different industrial histories have meant both regions have experienced and adapted to the changing dynamics of capitalism in slightly different ways. Both have experienced the legacies of deindustrialisation with different levels of success and challenges for their development trajectories.

To replace those jobs lost to deindustrialisation and global competition, both regions have been importers of inward investment and sites of foreign multinational branch plants that are externally controlled. Whilst some inward investors have become embedded in regional supply chains such as Nissan in the North East, and Toyota in the East Midlands, other inward investments, particularly in the North East, have had limited procurement to only lower level services with the region with investments remaining more precarious and potentially mobile (Tomaney and Pike, 1997). This

has been well documented in the North East with the arrival and closure of the German company Siemens in 1995 that left in 1998, the same year that Japanese company Futitsu closed its plant since opening in 1989 and has cemented constructions of the North East as a peripheral branch plant economy. This activity also highlights how the North East's development trajectory is heavily reliant on, and is determined by, decisions made either by external companies or national state policies (Hudson, 2005) and is locked into a dependent form of development (Amin 1998).

Although the East Midlands has had to compete globally for inward investment, it already has a home grown stock of key firms such as Rolls Royce, Raleigh GEC Plessy and Boots that are firmly embedded and key players in the local economy (Hardill *et al* 2006, Crewe, 1995). Since deindustrialisation the East Midlands has not had to rely as much as the North East on inward investment to create an alternative economic base and avenues of employment. The more diverse composition of the East Midlands local economy has meant that the region has been in a better position than the North East to benefit from shifts in the organisation of economic activity hence maintaining its position as a 'middling region' (Hardill *et al* 2006).

Positioning my case study regions again in dissimilar ways has been the highly uneven geography of the new service space economy in the post war period. Although services is a broad term, there are two basic forms of private services (Kirby, 1995) – those that are knowledge based and those that are consumer based. As Marshall and Wood (1995) suggest it is those knowledge based services that are the main drivers and creators of wealth because they contribute to the addition of value by other firms. Currently, the spatial division of labour is based upon the majority of these high value added knowledge based services concentrated in the core regions, especially London (Kirby, 1995). This means that while some regions are 'winners' and experience success, gaining new forms of industrial production and high value knowledge based services, other regions lose out as they experience only low quality and generic service growth (Charles and Benneworth 2001).

The North East has struggled to capture and benefit from new forms of knowledge based services (*ibid*), possibly due to lack of business demand, inappropriate

institutional structures and a low skilled work force which is unable to support knowledge based services (Hudson 2005). Consequently, the North East hosts a bigger proportion of services associated with retail and construction, as well as higher employment in public administration, education and health care that require only generic skills, and tend to be less well paid. These kinds of service jobs are not seen to add value or strength to local economic bases (Charles and Benneworth 2001). Furthermore, many of these jobs have been feminised and casualised (Marshall and Wood 1995, Hudson 1989, Hardill *et al* 2006, Benneworth 2006) and have not necessarily been taken up by the generation of males made redundant since deindustrialisation. Therefore, the North East endures higher than average rates of unemployment and poverty (Hudson, 2005, ONS 2006) and the concentration of these low level service jobs reinforces the North East's position 'on the periphery of the European Union and on the margins of the global economy' (Hudson, 2005: 581).

The East Midlands is not without its share of low level service jobs. It hosts numerous call centres (Egg, Powergen, and Capital One) and has to vigorously guard these jobs as increasingly call centre jobs move to the Indian subcontinent (Hardill *et al*, 2006). Both regions have been beneficiaries of the relocation of government offices: with the relocation of the Department for Work and Pensions to Newcastle and the Inland Revenue to Nottingham (Hardill *et al* 2006, Marshall & Wood, 1995). That said, the East Midlands does host a bigger proportion of higher knowledge based services than the North East and is evident by the concentration of legal and financial services in Nottingham and Leicester and cluster of pharmaceutical and health research and development, arguably a legacy of Boots the Pharmacy that originated in Nottingham.

In summary by choosing two regions that are not 'star' performers within the UK economy, this research provides an alternative, but nonetheless fertile context to compare how each set of regional financial institutions and actors attempt to harness and channel venture capital to underpin entrepreneurship in their respective local economies. It will also allow comparisons of the preparation processes undertaken and delivered by designated agents and institutions within each region (outlined in chapter 5) whose remit is to coach local entrepreneurs' to be 'investment ready' and bring entrepreneurs and investors together via specific investment events.

Having justified the selection of the case study regions I will now look at the development of the venture capital industry within each of them.

3.3.4 The Venture Capital Industry and the Case Study Regions

Based on analysis of data produced by the British Venture Capital Association (BVCA 2006) a more complex story emerges than what was reported in figures 3.3 and 3.4 about how the venture capital industry intertwines with the case study regions. Firstly, however, it is important to note how this data was compiled. The data on investments in the following tables is based on those venture capital firms that are 'full members' of the BVCA during the 2005 calendar year (BVCA 2006: 43). The BVCA has over 180 full members and 170 associate members. Full members are 'classed as those that were active in making long term equity investments primarily in unquoted companies and are funded by institutions such as pension funds, insurance companies, their parent companies or both' (BVCA 2006: 43). There are four categories of associate membership; financial, investor, professional and academic. Investments made by these categories are not included in BVCA statistics. This information means that investments conducted by business angels are not accounted for, so in reality the level of investment in each region may in fact be higher than reported.

Using a combination of BVCA and ONS data, table 3.3 provides an overview of the amount of businesses registered for VAT in each English region, the regional population, the number of start up companies per 1000 population in each region, and the number of companies that received equity backing. It also describes the number of private equity backed companies on a population standardised basis (e.g number per hundred thousand population) The regional location quotients (LQ) of venture capital activity from 2003 to 2005 is also outlined and is measured by the number of companies invested in per 1000 of total VAT registered businesses.

Table 3.3 Regional Breakdown of Business Start up Rates, Private Equity Backed Companies and Location Quotients 2003-2005

	Popln 2003 '000	VAT Reg 2003	Start ups per 1000 popln	LQ	No. of PEBC 2003	Average No. of PEBC per 100k popln 2003	Popln 2004 '000	VAT Reg 2004	Start ups per 1000	LQ	No. of PEBC 2004	Average No. of PEBC per 100k popln 2004	Popln 2005 '000	VAT Reg 2005	Start ups per 1000	LQ	No. of PEBC 2005	Average No. of PEBC per 100k popln 2005
North East	2539	44775	17	0.83	37	1.46	2545	45405	17	1.21	55	2.16	2558	45810	17	0.68	42	1.64
North West	6805	169815	24	0.58	98	1.44	6827	172080	25	0.76	131	1.92	6846	172825	25	0.58	144	2.10
Yorkshire &Humber	5009	127600	25	0.46	59	1.18	5039	129645	25	0.38	49	0.97	5064	130950	26	0.48	71	1.40
East Midlands	4252	122330	28	0.52	64	1.50	4280	123955	28	0.58	72	1.68	4306	125170	29	0.52	60	1.39
West Midlands	5320	150460	28	0.62	93	1.75	5334	151545	28	0.54	82	1.54	5365	152160	28	0.62	78	1.45
East of England	5463	181280	33	0.73	132	2.42	5491	182890	33	0.69	127	2.31	5542	183675	33	0.73	122	2.20
London	7388	284835	38	0.93	265	3.59	7429	286860	38	0.91	262	3.53	7518	285260	38	0.93	292	3.88
South East	8080	283210	35	0.97	276	3.42	8110	285780	35	0.91	259	3.19	8164	287175	35	0.95	237	2.90
South West	4999	167715	33	0.47	78	1.56	5038	169050	33	0.40	67	1.33	5068	170775	34	0.47	88	1.74

(Source BVCA, 2006, ONS 2003,2004, 2005) PEBC= Number of private equity backed companies

Table 3.3 updates and confirms the results of the analysis in section 3.3.2, it demonstrates that the North East persistently reports the lowest amount of VAT registrations of all the English regions between 2003 and 2005, and the East Midlands the second lowest. The yearly average of business registrations for the North East between 2003-2005 is 45,330 compared to an average of 123,818 in the East Midlands, a considerable difference of 78,448 businesses between the two least well performing English regions. Comparing only the yearly VAT registrations between the regions is misleading due to the different regional populations. As the North East has the lowest population, it is not surprising that it has the least amount of businesses registered for VAT. To provide a sharper analysis, dividing the amount of businesses registered each year in each region by the regions population produces a more standardised set of data and reveals the start up rate per 1000 population in each region (columns 3,9,15). This provides a better indication of regional entrepreneurship.

In terms of business start ups per 1000 population the North East persistently has the lowest business start up rate of some 17 businesses per 1000 population from 2003 to 2005 and could suggest the region does not embody an entrepreneurial culture (Hudson 2005). On the same measure the East Midlands appears considerably more entrepreneurial. It fluctuates between having either the fifth or fourth highest business start up rates among the English regions, reinforcing its middling position and average performance in relation to the other English regions (Crewe 1995, Hardill *et al* 2006).

A more nuanced picture emerges when the actual numbers of equity backed companies are noted in the two case study regions (table 3.3, columns 5, 11, 17). Between 2003-2005 the North East persistently has the lowest number of companies backed by private equity. In the same period, the East Midlands fluctuates between having the third and second lowest number of companies backed by private equity despite the region being considered average performing in terms of business start up rates. Interestingly, although the North East appears to persistently have the lowest business start up rate and the least number of equity backed companies, when considering columns 6, 12 and 18 which outline the average number of private equity backed companies (PEBC) per hundred thousand population the figures are surprising. For example in 2004 the North East has the fourth highest number of

PEBC per hundred thousand population with an average of 2.16 businesses (column 12) and the fifth highest rate in 2005 of 1.64 businesses (column 18). These figures could suggest that although the North East may not appear to be as entrepreneurial in relation to other English regions, it may have a relatively rich supply of equity.

Additionally, it may suggest that North East businesses are more willing to use equity as a tool to fund their businesses and are able to meet the requirements to it.

Meanwhile, in the East Midlands the amount of private equity backed firms per hundred thousand population fluctuates between the third lowest average of 1.50 businesses (Column 6) and the lowest average of 1.39 equity backed businesses per hundred thousand population of all the English regions (column 18). Firstly, this could imply that there may be a paucity of equity supply within the East Midlands, secondly that there are less businesses willing to use equity as a tool to fund their businesses or thirdly, that there are fewer East Midland businesses able to meet the expectations and requirements of venture capitalists and therefore unable to acquire equity financing. Finally it could also imply that investors operating in the East Midlands are more risk averse, or that the region is not considered a profitable place in which to make investments by venture capitalists

Relative to the core, by which I mean London and the South East regions, both case study regions have relatively small numbers of companies backed by equity. In 2005, only 42 companies in the North East and only 60 companies in the East Midlands had equity investment compared to a combined figure of 529 companies that were equity backed businesses in London and the South East. This indicates that the venture capital industry in both case study regions is not particularly active or buoyant.

Table 3.3 columns (5, 10 and 15) provides annual location quotients of each region's share of venture capital activity per 1000 of total VAT registered businesses. Location quotients are useful tool because they reveal the concentration of venture capital activity in a given region relative to business population (Klagge and Martin 2005). Values greater than the unity (1) indicate a relative concentration of venture capital investment in a region compared to their share of VAT registered businesses. A value less than unity indicates a lower concentration and share of venture capital activity relative to the VAT registration population.

The location quotients of venture capital investment between the North East and the East Midlands are dissimilar. Even though in 2004 and 2005 the North East has the lowest business start up rate of all the English regions, ironically in 2004 it had the highest location quotient (1.21) of all the English regions for venture capital investment compared to its share of registered businesses, and the second highest location quotient (0.92) in 2005. The location quotient of venture capital activity in the East Midlands, however, is considerably lower than its North Eastern counterpart and therefore has a lower share of venture capital activity compared to its share of VAT business registrations than elsewhere. In 2005 the East Midlands had a location quotient of only 0.48 compared to 0.92 in the North East.

The higher than unity location quotients in the North East suggests that relative to the size of the regional economy the amount of venture capital investment may not be such a cause for concern, but it is important to remember that it is not the size or value of the investment, it is the *numbers* of venture capital investment that provides a more accurate picture of the level of venture capital activity in each region. In any case this result certainly justifies a more detailed examination of the demand and supply of venture capital in the two case study regions.

3.3.5 The Geography of Merchant and Classic Venture Capital Investments

So far I have shown that both the East Midlands and North East regions secure relatively low value investments (Figures 3.3 and 3.4) and have lower than average numbers of equity backed companies within their region relative to the other English regions. I will now move on to examine the geography of classic and merchant venture capital deals. Given that section 3.2.1 discussed the different impacts investments have on local economies, this foray into the geography of merchant and classic investments will provide deeper insight into how the venture capital industry unfolds in each case study region.

Due to the lack of up to date academic research explaining the geography of merchant and classic venture capital deals since 2002, I am continuing to use data from the BVCA (2006) to show investment type by region during 2005. An important caveat to

this is what counts as 'early stage investments'. For the purpose of the following explanation the definition of 'early stage investments' outlined by the BVCA (2004) (Table 3.1 Section 3.2.1) will correspond with classic venture capital definitions provided by Mason and Harrison (2002, 2003). MBO/MBI deals outlined by the BVCA (2004) will correspond with merchant venture capital deals described by Mason and Harrison (2002, 2003). Expansion refers to capital that is provided for the growth and expansion of an established company. Funds may be used to provide working capital, marketing or product development (BVCA 2006: 45).

Table 3.4 Number and Percentages of Merchant and Classic Investments by Region, 2003-2005

Region	Average Regional Percentage Share of Engalnd's Population (2003-2005	Early Stage/Classic Investments							Expansion							Merchant VC MBO/MBIs						
		Number			%				Number			%				Number			%			
		2005	2004	2003	2005	2004	2003		2005	2004	2003	2005	2004	2003		2005	2004	2003	2005	2004	2003	
South East	16.2	104	94	98	21	21	23		102	105	140	18	18	22		47	60	38	15	22	19	
London	14.8	75	75	66	15	16	15		156	129	149	27	22	23		70	58	50	23	22	25	
South East & London	31	179	169	164	36	37	38		258	234	289	45	40	45		117	118	88	38	44	44	
South West	10	42	29	22	9	6	5		31	30	39	5	6	6		21	8	17	7	3	8	
East of England	11	61	59	66	12	13	15		55	53	55	10	9	9		21	15	11	7	6	5	
West Midlands	10.6	24	21	20	5	5	4		32	36	54	5	6	8		27	25	19	9	9	6	
East Midlands	8.5	22	25	15	5	6	4		23	28	35	4	5	5		19	19	14	6	7	7	
Yorkshire & Humber	10.0	20	6	13	4	1	3		33	25	27	6	4	4		20	18	19	6	7	9	
North West	13.6	65	61	42	13	13	10		32	36	42	5	6	6		51	34	14	16	13	7	
North East	5.1	16	16	15	3	4	4		23	25	11	4	4	2		3	14	11	1	5	5	

(Source BVCA 2006a: 7)

Table 3.4 reinforces how both my case study regions do not experience high levels of venture capital activity. Between 2003 and 2005 both the North East and East Midlands secured between only 3-7% of the total amount of venture capital investments conducted in the UK.

In the context of classic venture capital investments, between 2003 and 2005, the East Midlands secures between 4-6% of the total amount of these kinds of investments, at most 2% more than the North East. Meanwhile, in the same time period, London and the South East secured 33% of classic venture capital transactions. This suggests that the most economically dynamic parts of the Country are receiving the majority of value added investments that are seen to foster vibrant and innovative knowledge economies. This serves to reinforce regional inequalities as local economies of the core regions continue to be innovative and entrepreneurial at the expense of the non core regions.

In terms of the actual *numbers* of businesses receiving classic venture capital there is more variation between my case study regions. On average, between 2003-2005, 16 businesses in the North East secured classic venture capital investment, the lowest number of all the English regions. In the same period, on average 21 businesses per year in the East Midlands secured this type of investment. Although the East Midlands secures slightly more classic venture capital investments than the North East, the East Midlands still has the third lowest average number of businesses securing classic venture capital of all the English regions. Crucially this demonstrates that both case study regions secure very low amounts of classic venture capital investments.

A further consideration regarding the concentration of classic investments is that if as suggested by some academics that investors will only invest in early stage businesses in close physical proximity (Sunley and Klagge *et al* 2005 Martin & Harrison 2002, 2003) then those investors and finance agents possessing the skills to help foster and support local entrepreneurs are likely to be clustered in London and the South East. The low amount of classic venture capital deals conducted in both case study regions could indicate a paucity of professional finance agents and investors with the right

sets of skills or biographies to promote local entrepreneurship, which will be explored in more detail within the empirical chapters.

In terms of the *percentage* of merchant venture capital deals conducted between 2003 and 2005, there is a slight variation between the two case study regions. The North East secures between 1-5% of all merchant investments conducted in the UK between 2003 and 2005, while the East Midlands fluctuates between 6-7% while London and the South East secured 42% of these kinds of deals. Not only does this again show the low levels of venture capital activity conducted in these two regions compared to other English regions period, but the similar levels of venture capital activity between the two case study regions will provide a interesting analysis into the development of finance gaps at the local level.

In terms of the actual *numbers* of merchant venture capital deals conducted (table 3.4), both case study regions have more than the number of classic investments made. This is not altogether unsurprising given that Mason and Harrison (2002: 435) report that 'over 70% of all venture capital deals conducted in the UK are merchant venture capital deals'. For 2003-2005, the North East still had on average the lowest number of merchant venture capital deals and the East Midlands the third lowest. Obviously yearly variations in merchant venture capital deals will have influenced the averages: in 2005 the North East secured only 3 merchant venture capital deals, a considerable decrease from 14 and 11 in 2004 and 2003. From a regional development perspective, the low levels of merchant deals conducted in both case study regions is not necessarily detrimental to their local economic bases (Mason and Harrison 2002).

Now that the percentages and actual numbers of both merchant and classic venture capital investments have been highlighted, I have demonstrated how both case study regions secure low levels of *both* types of venture capital investment. Therefore, the venture capital industry has a small impact on all stages of investment within the East Midlands and the North East region.

3.3.6 Venture Capital Investment by Sector

A common assumption regarding venture capitalism is that investments are characteristically made in technology industries associated with the new economy. Partly, this is due to the empirical work that so far, has tended to focus on the role of venture capital in vibrant and innovative knowledge economies (Saxenian 2004, Keeble and Wilkinson 2000, Florida and Kenny 1995, Zook 2002, Babcock-Lumish 2004). I aim to disrupt these assumptions by providing a sectoral breakdown of investment by region in 2005. Firstly, some considerations about the ways in which this data has been gathered need to be acknowledged.

Appendix 1 outlines the classification system that the BVCA uses for all industries and sectors which has determined the sectors outlined in table 3.5. The BVCA recently altered the way it classified its sectors hence why I only have calculated for the year 2005 as it was not possible to compare previous years data (BVCA 2006, 44). The 'technology' classification is problematic: the BVCA claim that 'there is as yet no widely accepted definition of a 'technology' firm' (BVCA 2006: 20). To try and overcome this, the BVCA uses a combination of the FTSE and the European Venture Capital Association (EVCA) classification systems to establish a more 'comprehensive grouping of companies that are strongly technology orientated' (BVCA 2006: 20). The bulk of these strongly technology orientated firms are classified under the FTSE sector codes 97 (software and computer services), 93 (information technology hardware) and the EVCA sectors of 'biotechnology, computers, medical, and electronics.

Table 3.5 outlines the percentage of investments by sector in each region in 2005. It shows that nearly half (47%) of all 'technology' investments are made in London and the South East while the East Midlands and the North East only secure 3% and 1% respectively in 2005. Such assumptions about venture capital investment being made into high technology businesses are not borne out in my case study regions. If this is because my case study regions do not produce many technology businesses, or that the technology businesses that entrepreneurs are seeking finance for are not perceived to be 'investment ready' by investors cannot be deciphered from these statistics.

Table 3.5 Investment by Sector and Region 2005

	Oil & gas, basic materials & industrials		Consumer Goods		Health care & consume services		Telecoms, utilities & financials		Technology	
	Number	%	Number	%	Number	%	Number	%	Number	%
South East	52	17	8	13	80	17	13	15	84	23
London	34	11	10	16	132	27	30	33	86	24
South East & London	86	28	18	29	212	44	43	48	170	47
South West	19	6	4	6	28	6	7	8	30	8
East of England	18	6	6	10	57	12	7	8	34	10
West Midlands	34	11	3	5	20	4	2	2	19	5
East Midlands	15	5	2	3	26	5	5	6	12	3
Yorkshire & Humber	19	6	4	6	31	7	8	9	9	3
North West	36	11	12	19	50	10	10	11	36	10
North East	21	7	3	5	11	2	2	2	5	1
Scotland	42	13	4	6	18	4	4	4	28	8
Wales	18	6	4	6	19	4	1	1	9	3
Northern Ireland	4	1	3	5	10	2	1	1	8	2
Grand Total	312	100	63	100	482	100	90	100	360	100

(Source: BVCA 2006b: 20)

Table 3.6, provides a breakdown of venture capital investment by sector, but as a percentage of the total number of firms that were equity backed in each region in 2005. This allows a sharper insight into the sectors receiving investment in my case study regions. The number in brackets next to the name of each region denotes the number of equity backed companies in each region in 2005. The percentage of investments by sector have been calculated by taking the *number* of investments made in each sector regionally (Table 3.5), and dividing this number by the total number of equity investments conducted in that region in 2005 (Table 3.3).

Table 3.6 Investment by sector as a percentage of total equity backed investments by region, 2005

	Oil, gas & basic materials and industries	Consumer goods	Health care and consumer services	Telecoms, utilities & financials	Technology	Total
North East (42)	50%	7%	26%	4%	12%	99%
East Midlands (60)	25%	3%	43%	8%	20%	99%
London & South East (529)	16%	3%	40%	8%	32%	99%
South West (88)	21%	4%	31%	7%	34%	97
East of England (122)	15%	5%	47%	6%	28%	101
West Midlands (78)	43%	4%	26%	2%	24%	99
Yorkshire Humber (71)	27%	6%	44%	11%	13%	101
North West (144)	25%	8%	35%	7%	25%	100

(Source BVCAb 2006: 28)

Within the North East, 50% of the total venture capital investment in 2005 was in sectors associated with heavy industry and manufacturing. Arguably this could reflect the industrial legacy and structure of the North East, which still guides and shape investments currently (Byrne 2002). Far smaller percentages of investments were in industries associated with the knowledge economy such as 4% in 'telecoms, utilities and financials' and 12% 'technology'. This could reflect how the North East has found it harder to shift to a knowledge economy (Hudson 1989, 2005). One quarter of investments in the North East were in 'health care and consumer services' although it is not possible to decipher if this is into higher valued added sectors of research and development in health care or in the lower skilled consumer services, of which

the North East does have higher proportions (Kirkby 1995, Benneworth and Charles 2001).

In the East Midlands there is a more equal spread of investments reflecting the more diverse local economy. 20% of venture capital investment was in technology businesses possibly symptomatic of the regions proximity to the scientific core of the UK, or a more successful transition to the knowledge economy. The concentration of financial institutions in Nottingham and Leicester could reflect why 8% of all venture capital investment was made in 'telecoms, financials and utilities' though the limitation of the data categories means that it is not possible to know this for definite. A further consideration is that 43% of all venture capital investment in the East Midlands has been in 'Health care and consumer services'. Again, although the composition of this figure is unknown, this could reflect the East Midlands specialisation in the pharmaceutical and health (Hardil *et al* 2006) or the opening of BioCity in Nottingham in 2004 which is an incubation and laboratory facility for early stage scientists and entrepreneurs working in health and biosciences.

Some 25% of all investments in the East Midlands in 2005 are in sectors associated with traditional industry and manufacturing, a legacy of the regions industrial past. Although only speculative, part of this investment may be in the clothing and textiles industries which has switched to more flexibly specialised modes of production focussing on high quality, low batch differentiated production (Crewe 1995). Although the East Midlands economy appears more diverse in relation to the North East's which is focussed more on manufacturing industry (though what mode/form of production is unknown), in terms of which sectors receive venture capital, it is important to remember these percentages come from very small numbers of companies that received equity backing in 2005.

Despite differences in the way my case study regions are intertwined with the UK venture capital industry for the purpose of this study an important similarity is that both case study regions secure tiny percentages of all the classic venture capital investments made in the UK: 3% in the North East and

5% in the East Midlands in 2005. Both case study regions appear peripheral, and have weak attachments, to the decisive flows of venture capital. The paucity of classic venture capital investment in both case study regions may pose strong challenges to the regional institutions and agents attempting to harness and channel investment in their region. I argue that how this potential challenge is handled and managed deserves further investigation and comparison.

3.4 Regional Financial Architectures

3.4.1 Rise of the Regional Venture Capital Funds (RVCF's)

The recognition that venture capital is a key instrument to support economic growth and employment has meant that the availability of venture capital for small and medium enterprises has occupied a prominent position on the UK policy agenda since the late 1990s (Mason and Harrison 2002, 2003 Klagge and Martin, 2005). A recent policy initiative has been the introduction of the Regional Venture Capital Funds (RVCFs). This has attempted to address the concentration of funds in the South East by increasing the supply of equity in all the English regions and reflects the decision of the UK government to inject a regional dimension to venture capital policy. The rationale for this initiative is 'the belief that many small firms are prevented from exploiting growth opportunities due to the lack of appropriate funding' (Mason and Harrison 2003: 857). Undoubtedly, the RVCFs represent a supply side solution. Their existence reflects the government's perception that the low rates of business start up and successful development in the non core regions is partly attributable to a 'funding gap' in the availability of equity.

Each of the nine regional venture capital funds are managed by a local fund manager company which it is believed will have local knowledge about their region. Half of the equity in each fund is provided by the State which includes 30% provided by the DTI and 20% from the European Investment Fund (EIF). According to Mason and Harrison (2003: 857) the EIF's total investment is

£53 million, the government £80million, and the other fifty percent provided by the private sector. The main private investor sectors are Barclays Bank (£66m) and the Bank of Scotland (£20m), local authority pension funds have also invested. The RVCF's specialise in making investments of up to £250,000 to allow access to finance at the lower end of the venture capital market for early stage businesses. After an initial investment the RVCF's may subsequently invest up to an additional £250,000 into the same business.

Although relatively new, (RVCF's were mainly launched in 2002), little is currently known about their success. Anecdotally, however, the high cost of undertaking due diligence on new businesses with unproven markets or products means that it is more profitable for fund managers to mobilise larger sums of equity than smaller amounts of say sixty thousand (Researcher's interviews)

Table 3.7 outlines the size of each regional fund and its fund manager. It also demonstrates some regional funds are larger than others mainly because some funds found it harder to attract private funds (Mason and Harrison, 2003). A key point to note is that the East Midlands RVCF is twice the size of the North East's and could reflect that the East Midlands is seen by investors to have more attractive funding opportunities.

Table 3.7 RVCFs Size and Managers

Region	Target Size of Fund (£millions)	Fund Manager
South West	25	South West Fund Managers- a subsidiary of Yorkshire Fund Managers
South East	30	West Midlands Enterprises
London	50	London Fund Managers - a subsidiary of Yorkshire Fund Managers
Eastern	25-30	Classic Fund Managers
East Midlands	30	Catapult Ventures
West Midlands	30	Midven
Yorkshire	25	Yorkshire Fund Managers
North West	30	West Midlands Fund Managers
North East	15	Northern Enterprise Ltd

(Source: Sunley and Klagge *et al* 2005: 463)

RVCF's have not been without their criticisms. Some of these pertain to the lack of attention given to demand side issues. The lack of take up of equity in non core regions may actually be because entrepreneurs do not consider equity a tool they would want to use to fund their business or are reluctant to give up an element of control in their business. Conversely, the entrepreneurs that put themselves forward for equity do not meet the criteria of venture capitalists and are not 'investment ready'. If so this could highlight the centrality of high quality education of local entrepreneurs in understanding the requirements and expectations of investors (Mason and Harrison 2003).

Other concerns pertaining to the RVCFs include whether there are sufficiently skilled classic venture capitalists to manage these type of specialist funds in the UK and would such agents be attracted to these jobs due to the lower pay than if in the private sector. Given that West Midlands Enterprise and Yorkshire Fund managers between them are 'the fund managers of five of the nine funds might serve to underline the limited number of fund managers with the requisite track record' to foster local entrepreneurs to be investment ready

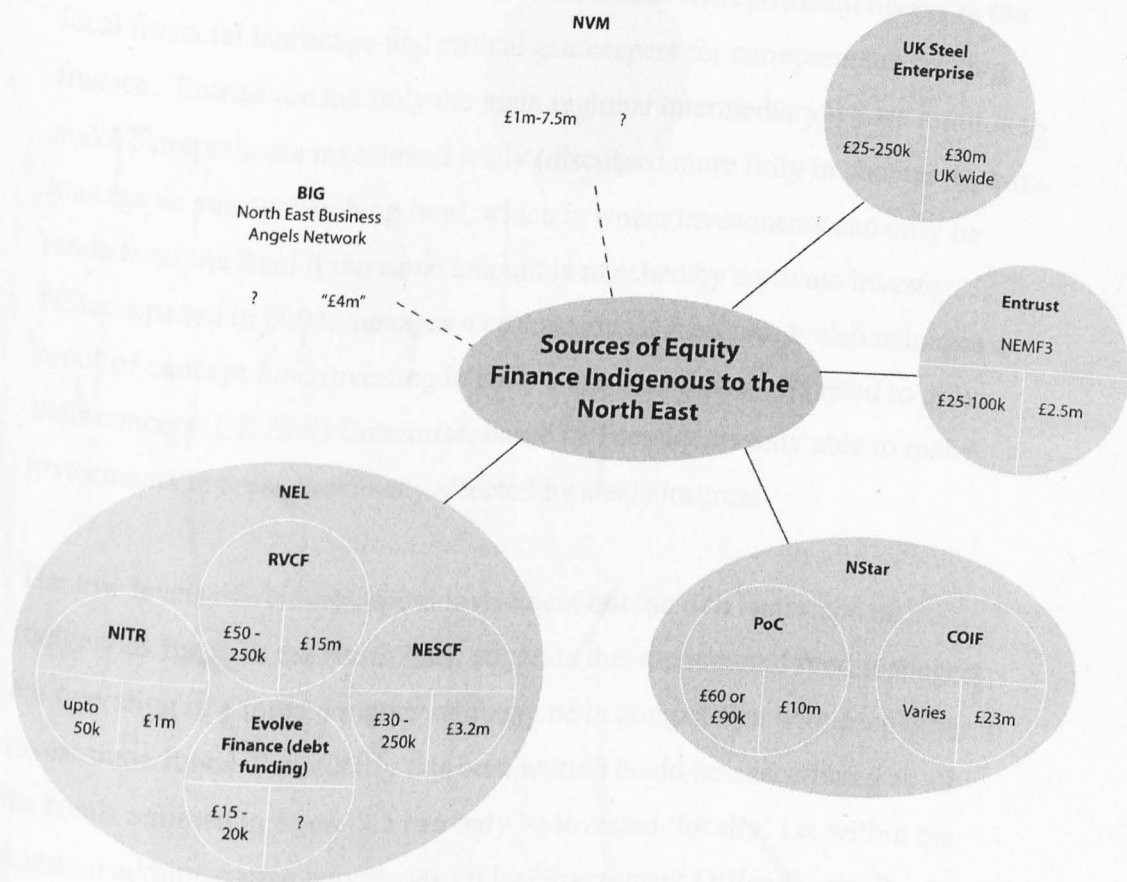
(Mason and Harrison 2003: 862). Furthermore, it may be the case that not all regions have the appropriate infrastructure of both individuals and organisations that are familiar with the venture capital industry and are able to support the fund managers. Given the relatively low level of venture capital activity in the North East and East Midlands these are pertinent concerns. Although this has not been an exhaustive list of reservations, it nevertheless has drawn attention to some of the concerns raised by the RVCF's as a supply side solution to remedy the concentration of venture capital investments and funds in the core regions and solve the 'equity gap'.

3.4.2 North East and East Midland Financial Architectures

Before the empirical chapters I argue that is important to draw attention to the different regional financial architectures as they are likely to influence the degree of collaboration and syndication between local finance agents and networks (Chapter 4) and the character of the local and non local connections between indigenous venture capitalists, business angels and other investor networks (Chapter 5)

Figures 3.5 and 3.6 outline the indigenous equity funds in each case study region. Using company brochures, interview material and website searches the different sources of equity available and who manages each fund were uncovered. The circles that have a green background represent public and state sources of equity finance, and the yellow, private sources of equity. The name of the fund and the fund manager is printed in the top half of each circle. In the bottom half of the circle, the amount on the left hand side denotes the size of investment that can be made, while on the right, the actual size of the fund is expressed. When a circle that gives the name of a fund is inside a wider circle this implies that one fund manager manages a number of funds. These diagrams only show equity sources indigenous to each region.

Figure 3.5 North East regional Financial Architecture



3.4.2.1. The North East Financial Architecture

The North East appears well endowed in terms of its supply of equity. Although the region has one of the smallest RVCFs (Table 3.7), the region has in excess of fifty four million pounds of equity because the RVCF is one of numerous sources of indigenous equity. Despite a plethora of funds, the numerous green circles imply that equity funds are subsidised and underpinned wholly or partly by the State or the European Investment Fund and are dependent on the state for its venture capital. It also suggests that the region lacks a locally embedded and autonomous private venture capital industry. Also notable is that numerous reasonably sized funds are concentrated and managed by only four institutions – NEL, NStar, Entrust and UK Steel Enterprise which, could influence the degree of collaboration and cooperation between local finance agents.

Northern Enterprise Limited (NEL) manage the North East's regional venture capital funds plus three other funds. This makes NEL powerful agents in the local financial landscape and critical gatekeepers for entrepreneurs seeking finance. Entrust are not only the main regional intermediary whose remit is to make entrepreneurs investment ready (discussed more fully in chapter 4), but manage an equity matching fund, which is where investments can only be made from the fund if the same amount is matched by a private investor. NStar, opened in 2003, manages a co-investment fund too. It also manages a proof of concept fund investing in early stage businesses who need to prove their concept. UK Steel Enterprise, based in Teesside, is only able to make investments in areas previously affected by steel closures.

The low levels of venture capital investment but the rich landscape of indigenous funds in the North East, suggests that the regional fund managers are operating in a limited market and may be in competition with each other to invest these funds. Particularly this competition could be exacerbated as all the funds outlined in figure 3.5 can only be invested 'locally' i.e. within the standard administrative boundaries set by Government Office for the Regions. The vast supply of funds but the paucity of venture capital investments in the North East suggests that there are other reasons to explain the lack of venture capital investments that go beyond simplistic discourses of demand and supply which this research will do.

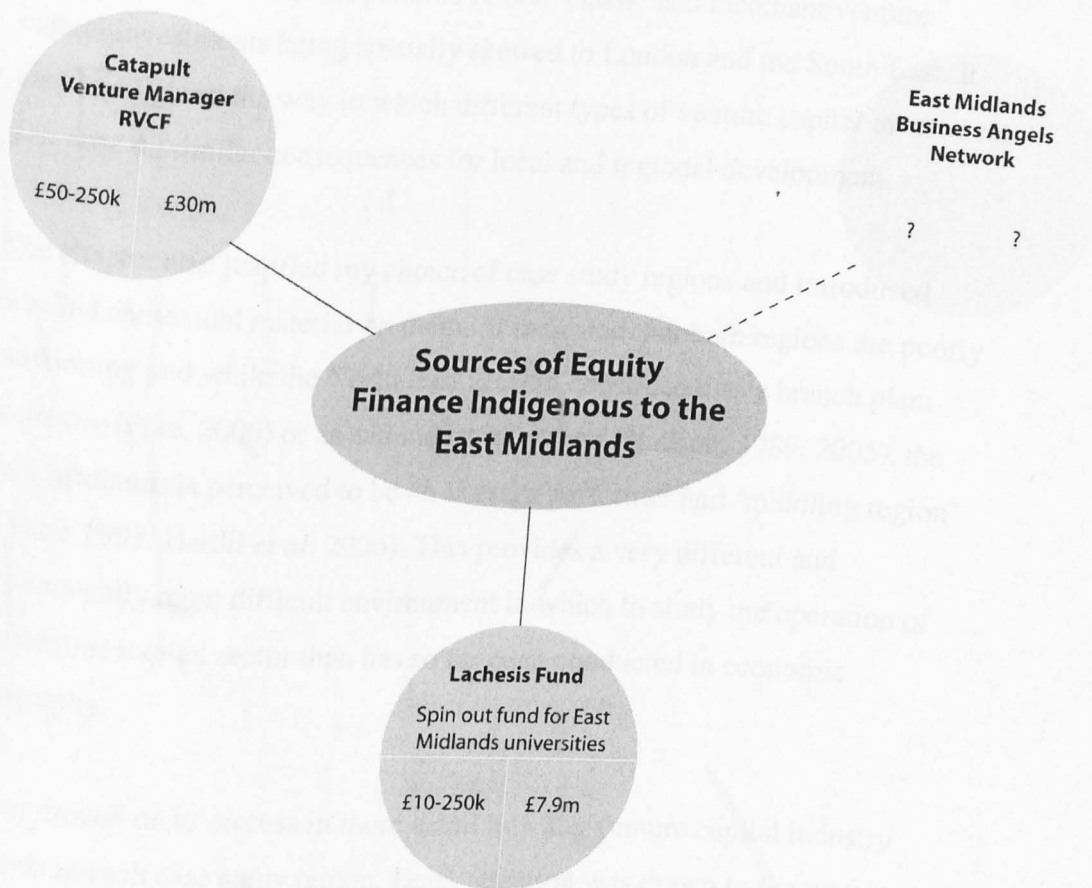
3.4.2.2. The East Midlands Financial Architecture

The East Midlands financial architecture (figure 3.6) has a much sparser supply of indigenous equity than the North East even though its RVCF is double the size of the North East's. Without the regional venture capital fund, managed by Catapult Venture Managers, the only other source of indigenous equity is the region's 'official' 'East Midlands Business Angel Network' (EMBA) but the total amount available to invest is unknown. The Lachesis Fund is only for University start ups. The relative lack of indigenous equity available for non university start ups implies that Catapult are a powerful

institution and gatekeeper in the East Midlands financial landscape: they are likely to be approached by most entrepreneurs seeking venture capital.

Given the financial architectures in each region an interesting paradox reveals itself. While the East Midland has more volume of venture capital transactions than the North East, it has a smaller supply of indigenous equity; at least twenty four million pounds less of indigenous equity than the North East. Numerous reasons could explain this paradox. Firstly, non local investors could be investing in the East Midlands but due to the territorially bounded treatments of the industry, as yet there are no inter-regional statistics. Secondly, there may be a higher demand for equity by entrepreneurs than in the North East. Thirdly, there may be more East Midland entrepreneurs than North East entrepreneurs who are investment ready, which could suggest that the East Midlands has a better programme of education for local entrepreneurs. Fourthly, to overcome the paucity of equity in the East Midlands, investors may make smaller investments and hence more transactions, or fifthly the East Midlands is seen as an attractive place to make investments by investors. Before the empirical work has been outlined it is only possible to speculate as to why this paradox of the North East having more finance but less transactions than the East Midlands exists.

Figure 3.6 The East Midland Regional Financial Architecture



3.5 Conclusion

This chapter provided the context for the discussion on the empirical findings which follows in chapters 5, 6 and 7. It started firstly by highlighting some of the technicalities and criteria associated with venture capital transactions such as exit strategies, different kinds of equity investors, and the different stages of a business in which investors can invest. Attention was drawn to the more culturally nuanced elements of venture capital investment such as the unsecured nature of this kind of investment which is often based on the strength of the management team. This implies that investors and entrepreneurs have to enter into social relations of trust and judgement in order to conduct a successful investment. Such cultural and social micro-dynamics are yet to be written into debates concerned with venture capital by economic geographers.

Section two highlighted the distinct geography of the UK venture capital industry and the localised patterns of both classic and merchant venture capital investments being spatially skewed to London and the South East. It also highlighted the way in which different types of venture capital investment can pose dissimilar consequences for local and regional development.

The chapter also justified my choice of case study regions and introduced detailed contextual material on them. It indicated that both regions are poorly performing and while the North East is often constructed as a branch plant economy (Pike, 2006) or an old industrial region (Hudson, 1989, 2005), the East Midlands is perceived to be an average performer and 'middling region' (Crewe 1995, Hardil *et al.*: 2006). This provides a very different and economically more difficult environment in which to study the operation of the venture capital sector than has so far been conducted in economic geography.

I then moved on to discuss in more detail how the venture capital industry unfolds in each case study region. Here, attention was drawn to the way in which the venture capital industry is relatively inactive in both case study regions relative to the core. Both regions secure low levels of investment in *both merchant and classic* deals. Therefore the industry has a limited influence on both regional economies in terms of strengthening their economic bases.

Although the chapter argued how both case study regions only have very partial and limited attachments to the decisive circuits of equity capital, based on analysis of data from the BVCA (2005), when the financial architectures of each case study region were outlined, a more complex story emerged that introduced some interesting and unexpected differences between the two regions.

Although the North East has a considerably larger supply of indigenous equity (in excess of £54m and £16m more than the East Midlands) it continues to

have low levels of venture capital transactions. Meanwhile the East Midlands secured more venture capital investments despite having at least £16m less of indigenous finance. The reasons for this paradox implies that further investigation is required that moves beyond simplistic discourses around supply and demand debates and a more detailed and closer analysis is warranted to understand better the processes and practices of the venture capital industry in these two non exemplar regions.

Methodology

4.1 Introduction

In the preceding chapters I introduced the research questions, and outlined the theoretical framework within which the empirical findings will be interpreted. In the previous chapter I provided detailed contextual material about the venture capital industry, its geography, processes and practices. The case study regions where I will undertake the empirical research were also introduced. The aim of this chapter is to justify the mainly qualitative methods that I have employed to pursue my research questions.

This chapter is organised into three parts. Firstly, I will provide a description of the qualitative methods used in this research and some of the theoretical debates and philosophical assumptions that accompany qualitative research methods. Because the main component of this research is in-depth interviews this aspect will be given most attention. Here, debates germane to in-depth interviewing in new economic geography, including ideas of close dialogue, the corporate interview, and elite interviewing will be outlined. Influenced by feminist research, I will also draw attention to the politics of knowledge production and representation. This will include debates that reject positivist and scientific understandings of academic research and instead emphasise the situated nature of knowledge and sensitivity towards ideas of positionality and reflexivity.

Section two will provide an outline of the research design and the methods I utilised to undertake the research. Here I will make clear how the theoretical framework I developed in chapter two and the questions that I am aiming to answer led me to focus on particular types of methods to answer the research questions.

The third and final part of this chapter will provide a detailed description of how this research was done. In other words, the way in which the empirical material was gathered and analysed will be discussed. Deliberately this will be an honest account to trouble the often sanitised façade of doing research with a narrative that celebrates the 'messiness' of undertaking empirical research, which is often dependent on luck, chance and contacts (McDowell, 1998).

4.2 Research Approach

4.2.1 Qualitative Research Methods

Qualitative research is characterised by an emphasis on describing, understanding and explaining complex social phenomena. It is an interpretative approach that seeks to capture information and thick description about social processes and lived experiences. Crucially it involves unveiling meanings and attitudes that are embodied by different social agents which in turn govern human behaviour. Qualitative data is mostly gathered from observation, interviews and verbal interactions so inevitably qualitative methods 'involve interpersonal relationships' (Kobayshi 2001: 55). Such relationships enable a more contextualised and in-depth understanding of people and systems and allow the multifaceted and situated nature of social life to be researched. The emphasis on the information sought is about how something is experienced, it is not specifically about the facts, figures or patterns that more quantitative methods tend to focus on. Qualitative methods are also useful for not only providing rich descriptions of complex phenomena, but in developing theories or conceptual frameworks, and in generating hypotheses to explain those phenomena.

The cultural turn in geography that recognises economic action as socially and culturally constituted (Thrift and Olds 1996, Lee and Wills 1997, Clark 1998, Whatmore and O'Neill 2000), has not only altered the way geographers theorise about economic geography but also how economic geography is done and researched (Yeung 2003, Barnes, 2003). Notions of the economic as singular, deterministic, aspatial and one dimensional have been rejected. Amin and Thrift (2000) have suggested that to produce alternative understandings of economic action and reveal

alternative economic worlds, economic geography needs to engage with new allies such as cultural studies and economic sociology. They also argue for more qualitatively informed readings of economic action to produce a more attractive and imaginative economic geography. Despite such pleas for more qualitative methods to be employed and Crang's (2002) suggestion that qualitative methods may have become the new orthodoxy, this 'intervention' in economic geography has been contested by a number of others in the discipline.

While Rodriguez-Pose (2001) acknowledges economic geography has benefited from the cultural turn by its engagement with, and the sharing of, analytical tools and methods with other disciplines, he is less convinced by what he perceives to be an excess of theory and lack of empirical evidence that has proliferated in economic geography since the cultural turn. He claims large parts of economic geography have been 'besieged by fuzzy conceptualisation' which has 'favoured description over analysis' and has 'lacked methodological rigour' (2001: 179). As a result Rodriguez-Pose (2001) argues that economic geography has forgotten about building a solid empirical and analytical body around a theoretical corpus. To remedy this neglect, a variety of quantitative methods should be used to test some of the new theories developed in recent years and conduct case study analysis in a more systematic way.

Plummer and Sheppard (2001) also argue that it is possible to overcome unproductive dualisms such as quantitative or qualitative methods in economic geography and make a plea for a richer pluralist vision that draws on both quantitative and qualitative methods to supply a deeper understanding of the spatial dynamics and social consequences of capitalism (2001:199). According to Plummer and Sheppard (2001) conceptualising quantitative reasoning as inherently positivist and essentialist is incorrect and narrows the questions asked and scope for an 'emancipatory quantitative geography' (2001: 194). Employing relational mathematical models in economic geography, for example, challenges positivist ideals and demonstrates that it is possible to develop multiple and competing approaches to empirical validation using quantitative methods which can create their own versions of science, truth and evidence (Plummer and Sheppard, 2001).

Adopting qualitative research methods to provide such close reading of economic action has been popular in constructing geographies of finance, 'which has been based upon in-depth interviews or close dialogue with industry respondents' (Clark 1998: 73). This enables researchers to get beneath the flows of money and finance to unveil the networks of knowledges that underpin and mediate them (Leyshon 1998). Furthermore, Clark (1998) argues that the finance industry and the investment decision making process pivots on exchanging, selling and at the very least, managing networks of knowledges. Should parts of the finance industry ignore or overlook certain financial knowledges, it may be to the detriment of the profitability of the institutions. It is in this vein that my own work connects with, and adds to, the corpus of interview based research within financial geography. By undertaking close dialogue with venture capital industry respondents I am able to unveil the culturally nuanced nature of lending.

Clark (1998) defines close dialogue as 'a mode of case study research that uses structured and unstructured interviews ... to reveal the logic of decision making' (Clark 1998: 74). Close dialogue provides an opportunity for economic geographers to reconstruct our understandings of financial institutions, glean insights into the actual practice of investment decision making and observe how finance agents make and construct their world around them. Clark's preference for close dialogue stems from his belief that it is not possible to understand financial decision making using the 'hegemony of stylised facts' (*ibid*) that is, dominant narratives that have served to monopolise intellectual reasoning and enquiry and in so doing limited the types of questions that have been asked in economic geography. One such stylised fact is the 'doctrine of market efficiency' by which Clark (1998) refers to neoclassical ideas of markets working in equilibrium based on the laws of supply and demand. Undertaking close dialogue allows geographers to 'escape the shadow cast by the efficient market hypothesis' and collect 'raw material' to reconceptualise economic behaviour while at the same time promoting theoretical and empirical innovation (Clarke, 1998 pp 74-76). That said, stylized facts should not be completely overlooked: they still remain a useful reference point to structure empirical analysis, encourage systematic research and provide a benchmark for geographers to assess their empirical observations.

Reflecting the need for close dialogue the corporate interview emerged as a central research method in constructing new economic geographies. According to Schoenberger (1991) the corporate interview implies a series of semi-structured and open-ended questions with industry elites which aims to understand a firm's observed behaviour or strategies in light of its history, circumstances and local context. My commitment to this methodology rests upon the claim put forward by Hughes (1999, 364) that:

'...Corporate interviewing allows existing theories of the economy and its geographies to be continuously reworked in light of the conversation with the people who actively transform what it means to be involved in the economic...'

Alongside this utilisation of the corporate interview as a means of data collection the notion of elite interviewing has developed to gain insights into the behaviour of key actors that perhaps initiate or at least shape economic changes (Hughes and Cormode 1998). Until recently elite interviewing was widely perceived to be distinct from other types of interviews that involve studying down, i.e. those social agents considered to be less empowered than the researcher, perhaps lacking educational and cultural capital, or studying 'across', interviewing respondents with similar levels of educational and economic capital plus occupying similar positions of status and power. To illustrate the point McDowell (1992, 1998), Schoenberger (1991, 1997) and Hughes (1999) have all alluded to some of the supposedly distinct obstacles that interviewing elites poses. Some of these include the way in which differing managerial elites speak for themselves as well as 'for' and 'about' the firm, the problems for researchers gaining access to elites, self presentation and the way researchers should behave in interviews by playing different roles. Given these perceived obstacles a number of strategies and tactics have been put forward by McDowell and Schoenberger to use when 'studying up'. These include, but are not limited to, being well informed about the firm before the interview, using similar language to 'reassure' the respondent that you are knowledgeable and encourage more sophisticated and detailed answers, as well as dressing in similar ways that match the preconceptions of the elite. Some of these tactics were utilised in the interview process to elicit more detailed responses and are discussed in more detail in section three.

A debate intimately connected to elite interviewing concerns struggles of power and control within the interview setting. Schoenberger (1991) points out that elites are well practiced at revealing only certain types of information and are often used to setting an agenda which she claims is likely transfer into the interview setting. Similarly McDowell (1998) claims elites are 'always powerful' and are often keen to 'demonstrate their relative power ...and your relative powerlessness and ignorance' (1998: 2137). In light of more poststructuralist understandings of power, however, notions of elite interviewing have recently been revisited. Here I refer to the work of Smith (2006) who provides a persuasive argument that destabilises some of the assumptions on elite interviewing. Firstly, Smith (2006) argues that some of the obstacles and barriers perceived to only be associated with elite interviewing such as gaining access, ethical guidelines and doing collaborative research are actually 'remarkably similar' and 'not intrinsically different' (Smith, 2006: 643) to other types of interviewing that examine agents who are relatively disempowered to the researcher. To illustrate her point Smith (2006) refers to her colleague researching residents of a Glaswegian run down housing estate facing the same obstacles as Smith encounters in her interviews with policy makers and academics.

Smith (2006) also suggests that literature connected to elite interviewing has tended to rely on more structural interpretations of power, that is, power perceived as an inscribed capacity, appropriated by particular individuals and organisations and in any given interview setting the power associated with peoples' professional positions is transferred directly and unproblematically. By importing more complex accounts of power into methodological debates that see power as a relational effect of social interaction, diffuse, mobile and continuously circulating (Allen, 2003) Smith (2006) argues that power relations between elites and researchers are not necessarily fixed, prescribed or pre-given. Instead there are complex and shifting power relations within any interview situation. This literature resonates with my own experiences where in interviews with supposed elites, the power relations have not always been fixed.

Smith (2006) is also dubious about segregating people into dualistic categories of 'elite' and non elite' and identifying, even labelling, elites is heavily problematic. This

makes me hesitant to refer to my research methods as elite interviews and I am still unresolved about how to refer to those agents. That said, it was obvious that some of the agents I interviewed did have significant influence over economic networks, even if the decision to mobilise equity was theirs but the money was not. Therefore, while the concept of 'elite' should not necessarily become redundant, in future there needs to be more 'flexible interpretations' which define 'elites as individuals who appear to routinely exercise power' (Smith 2006, 646). This set of debates I would argue is only at its very early stage and in future I expect this stock of literature to expand.

4.2.1.1 The Politics of Knowledge Production and Getting Personal

A significant challenge for researchers undertaking qualitative and interpretative methods concerns broader debates about the nature of social reality and what it means to know reality and truth. Debates also include how data is interpreted and coded by the researcher and the way in which it is represented. Other debates include how the positionality of the researcher and the researched influences the types of data gathered and the importance of being reflexive, that is, having an awareness of the role and influence the researcher has in affecting the afore mentioned processes. It is these debates that I would now like to outline, and discuss where I fit within them.

I would like to start by looking at some of the assumptions made about the nature of social reality and what it means to know reality or truth. I along with a number of other academics in the discipline reject the positivist belief that it is possible to conduct scientific and objective research that is neutral in its execution and representation of empirical data. I do not accept or agree with positivist methodologies that claim there is a single and complete social world out there waiting to be discovered and that I as a researcher can possess the 'god like trick' of claiming to see the whole world while remaining distant from it (Rose, 1997). Like Kobayashi (2001) I make no claims to neutrality or universality in my research, instead I recognise that 'truth is highly variable' and multiple depending on who is claiming it (Kobayashi 2001: 57). Instead I argue that the social world is constructed of multiple truths and realities that are continuously being negotiated and re-negotiated by social agents. Therefore I 'trouble the façade of objectivity' (McDowell 1998: 2141) and recognise that in all interview based work, what is obtained is 'but a single narrative

or story told at a particular time to a particular audience' (*ibid*). In short, I see all knowledge as situated and partial, by which I mean that all knowledge is produced in specific circumstances, and the type of knowledge produced is dependent on its makers. As a result my research will provide only a situated and partial narrative that reflects the way I perceive lending cultures to operate in the North East and East Midlands.

This awareness of the politics of knowledge production is often referred to as positionality (Rose, 1997). An awareness of positionality stresses it is crucial to consider the way in which attributes of gender, age, ethnicity, class, sexuality, geography and history of experiences inescapably influences and shapes the way in which all data and information becomes coded and interpreted as knowledge and therefore situated (Rose, 1997). Another aspect of a researcher's positionality though 'frequently less identified' (McDowell 1998: 2136) refers to the types of connections and entry points a researcher has to the network of agents they are interested in researching. The points of entry influences who is able to be interviewed and the types of knowledge gleaned and produced. My awareness of my own positionality means I have to be reflexive at all stages of the research and recognise that I am 'thoroughly saturated in the baggage of my own culture' (Ley and Mountz 2001: 244) which shapes the way in which I construct and make sense of the world and also the subjects and places that I research. In other words, I acknowledge how I am inevitably caught up in a web of contexts which shapes my capacity to tell the stories of those I interview. As Crang (2001) would suggest this awareness of positionality results in 'a process of making interpretations about others interpretations ... with a desire to allow other world-views in my text' (Crang, 2001: 216). An awareness of positionality should not just be confined to the actual interview process but permeates and needs to be considered at all stages of research. In other words I am conscious of how researchers have to write themselves into the research (McDowell 1998).

As a young female researcher exploring a profession dominated by white middle aged and privileged men, I was inevitably aware of theirs and my positionality and how this influenced the type of data I gathered. In other words, I was aware of what McDowell (1998) emphasises as the 'double positionality' of interviewing that acknowledges how the positionality of the researcher and the researched influences the knowledge

collected and constructed. In my interviews I was conscious that the knowledge constructed and interpreted in the interview was in what Staheli and Lawson (1994) call 'the space of in-betweeness', that is, the space of interpretation between myself and the interviewee thus reflecting the interpersonal and contextual nature of knowledge and interviewing.

Once the data has been interpreted, (the process and tactics for doing this reflexively will be outlined in section two of this chapter) ethical considerations surround the way in which the data is represented. Exactly how legitimate or ethical it is for researchers to represent the world as viewed by others or to speak on behalf of other social agents has been well documented within feminist research, such as Gilbert's (1998) work on the survival strategies for poor African-American and white women. These considerations are bound up with what Ley and Mountz (2001) refer to as a 'crisis of representation' which is to acknowledge that representing others is an act of social and cultural privilege. Although not intrinsically central to this research given that I have interviewed for the most part agents who have had considerably more wealth and privilege than myself, many researchers are often separated from the researched by their relatively higher levels of, or opportunities to access educational achievement, cultural capital, affluence and material wealth. Coupled with the fact that researchers possess the ultimate power of analysis as they decide what can be written and concluded, as well as what is asked, discussed and the topic that is researched (Rose, 1997), ethics of representation continue to pose challenges and obstacles for those researchers that undertake qualitative and interpretative research methods. As a result I am attentive to the fact that I have authority to represent and stress the need to be reflexive, by which I mean being aware of my own motives for doing the research and the effects of myself and my actions when interpreting and presenting my data.

By triangulating my research methods with in-depth interviews, non participant observation and secondary source analysis, I am able to explain more fully the richness of and complexity of the decision to mobilise finance in each case study region. This is because I am able to study it from more than one standpoint and make use of both qualitative and quantitative data. Influenced by Yeung (2003) I consciously adopted 'a total method approach' and employed 'multi methods and triangulation ...to explore the micro foundations of economic action (Yeung 2003: 4).

Consequently I could continuously compare my empirical findings derived from one method with another to validate my data and ensure the consistency and coherency of the answers I gained. Utilising this method I was able to problematize the different interpretations of reality held by individuals (McDowell 1992). In short, by triangulating the results of my interviews with data from other sources allowed me to confirm and verify the results and conclusions of my study of lending cultures in the North East and East Midlands, while adding further reflexivity to the research process.

This section has outlined some of the ideas and assumptions about the situated and partial nature of knowledge, the role of the researcher in the research process. It also emphasised debates on positionality and the need for reflexivity, all of which influenced how I approached and undertook the field work. I will now move on to explain the research design and the methods used.

4.3 Research Design and the Empirical Study

The first point to reiterate about this research is that it is a comparative study between two case study regions. Within each region I sought to engage with two distinct groups of agents, crudely put, these were entrepreneurs seeking finance and professional finance agents who either supply finance or help entrepreneurs to seek it. Table 4.1 illustrates the different comparative components to this research project and a synopsis of the approach that I took.

Table 4.1 Research Summary

	North East	East Midlands
Entrepreneurs interviewed	20	20
Professional finance agents interviewed	21	17
Number of times Non participant observation was undertaken	13	6

The outline of the multi methods used to examine the lending cultures in each region is set out below.

- **Analysis of academic and grey literature pertaining to the venture capital industry.**
- **Non-participant observation at Investment Conferences and other networking events organised by regional investment organisations**
- **Semi-structured and face to face in depth interviews with professional finance agents and entrepreneurs either seeking or who had recently sought finance.**

What follows is a justification of why I chose these methods.

4.3.1 Analysis of Academic and 'Grey' Literature

The analysis of academic and grey literature, that is company publications, reports and websites, was the starting point of the research. The academic literature was gathered through searching library databases such as Web of Knowledge, First Search, Google Scholar and revisiting literature gathered from my MA. The

importance of the academic literature was that it allowed me to develop the research questions and form the theoretical framework in which the empirical material will be analysed.

Searching the websites of, and purchasing publications from, the British Venture Capital Association, supplemented the limited academic literature written on the venture capital industry and allowed me to provide an overview of the spatial variations in the distribution of and take up of venture capital. The BVCA publications provided detailed material on regional location quotients of venture capital activity and helped identify the geography of the different types of venture capital investment. From the secondary source material I gathered, I was also able to introduce and outline the different regional contexts and construct their financial architectures presented in chapter two. The grey literature also helped me to identify potential finance agents or key players in each region.

4.3.2 Non-Participant Observation

The first of my interpretative methods I used was non-participant observation. This is a method that traditionally derived from ethnography which 'involves living and/or working within particular communities in order to understand how they work 'from the inside' (Cook, 2005: 167). This allows a research to study some of the habits, customs, norms and values of a particular culture. Ethnographic study means that it is possible to see not just what people say, but what they do in practice and researchers often try to immerse themselves into a said culture to glean these insights (Cloke *et al* 2004). Although I did not live or work with any of my participants, I did attend fifteen investment conferences plus three other networking events in both regions (Table 4.2).

Table 4.2 Places of Non-Participant Observation

North East	East Midlands
Investor Forums x10	Connect Midlands x4
Teesside University Spin Out Fair x1	BioCentral Investment Conference x1
North East Universities Business Plan Awards Ceremony and Dinner x1	New Business New Life Enterprise Show x1
Newcastle University Enterprise Club event x1	

Non-participant observation at the events outlined in table 4.2 provided access to key actors and helped build up my sample of entrepreneurs I later interviewed. At each investment conference, a stock of entrepreneurs pitched their business idea to investors and this was an ideal opportunity to meet entrepreneurs face to face, accrue contact information and produce a database. It was also useful to observe the different ways entrepreneurs performed in their presentations too: this gave insight into how they had been prepared to pitch their ideas.

The second justification for undertaking non participant observation was to glean insights into some the customs and norms connected to the lending cultures in each region. This was useful to not only render thick description and supplement the detailed material I gathered in my interviews, but gave me the added advantage of being able to watch closely how entrepreneurs and professional finance agents interacted and behaved and then, later in the interview setting.

4.3.3 Semi-structured Interviews

Given that this research was concerned with understanding the situated and multiple knowledges embodied by different finance agents involved in lending, and agents networks of connections, it seemed sensible to employ semi-structured interviews to uncover these processes and practices and the complexities and subtleties involved in

lending. Utilising semi structured interviews meant I was able to gain an insight into how venture capitalists make sense of the world around them, and what influences their decision to mobilise finance. Such data is useful to suggest that the decision to mobilise finance is far more culturally nuanced, based on judgment and trust and not solely a well written business plan. Meanwhile, interviewing entrepreneurs meant I could see how they made sense of, and navigated the local financial landscape and unveil their expectations and values associated with equity finance. In-depth interviewing would allow a fine grained discussion of each respondent's network of contacts, where and how their entry points to investor networks were formed, and the nature of such attachments. It would also reveal the mechanisms by which both money and financial knowledges are transmitted and circulated within investor networks. In short, semi-structured interviews allowed (i) an alternative financial narrative about lending cultures in less exemplar regions to be articulated and (ii) to uncover the shifting and multiple power relations between entrepreneurs and venture capitalists. They also allowed me to enrich, supplement and contrast the behaviour I observed at investment conferences.

Before progressing onto a detailed discussion of how I undertook the research I will introduce the population databases and sample sizes of the different groups identified in the research matrix.

4.3.4 Survey of Professional Finance Agents

Table 4.3 outlines the size of the database of professional finance agent contacts I had gathered in each region plus the total number of interviews conducted, the number of background interviews and the reasons for non response (Table 4.4). This is followed by (Table 4.5) which provides a breakdown of the job descriptions of those who responded.

Table 4.3 Survey of Professional Finance Agents

	Total Size of Database/letters for interview sent	Total Interviews conducted	Of which were Background interviews	Non Response
North East	24	21	5	3
East Midlands	26	17	5	9

The reasons for professional finance agents non responses to my invites for interview are listed below in Table 4.4.

Table 4.4 Professional Finance agent's reasons for non-response

Reason for non response from finance agents	North East	East Midlands
Respondent ill	0	1
Willing but too busy	0	1
Declined Interview	3	1
Not return calls	0	6

The main reason for non response by East Midland finance agents was their failure to return my repeated calls and numerous answer machine messages I left after sending the original letter for invite. Given that I was unable to speak to these finance agents it is impossible to decipher why they would not participate. I was however, conducting my East Midland interviews over the summer of 2005 and it is plausible that some of the finance agents may have been on annual leave. Table 4.5 gives a breakdown of the job descriptions of those agents I interviewed.

Table 4.5 Breakdown of Finance Professionals Interviewed by job title

	North East	East Midlands
Venture Capitalist/Fund Manager	4	1
Corporate Financiers	3	2
Business Angels	6	4
Solicitor	2	0
Preparation Intermediaries	1	1
Investment Intermediaries	1	4
Background Interviews	5	5

The sparse supply of indigenous equity in the East Midlands (chapter 3, figure 3.6) meant there was only one fund manager interviewed in the East Midlands compared to four in the North East. Although this suggests that the sample sizes were not directly comparable between the two regions, I argue that this reflects the very real and tangible differences between the two financial landscapes I was investigating and makes the findings all the more interesting.

Preparation Intermediaries refer to my gatekeepers who were in charge of making local entrepreneurs investment ready, by which I mean educated on the expectations and requirements of investors. Henry Potter was the North East agent and who headed up the Investor Readiness and Investor Forums events at Entrust. Eddie Drake headed up the Invored training programme and Connect Springboard investment events in the East Midlands. These agents were my gatekeepers into the investment events.

Investment Intermediaries refer to those agents who were active in the investment scene and were concerned with trying to secure finance for businesses or encourage businesses to seek finance. Agents in this category included those who worked in technology transfer offices or incubation centres. *Background interviews* refer to agents who also had an interest in the investment process but did not fit any of the above categories, or were not directly active in helping entrepreneurs secure finance. Although background agents provided detailed contextual material they are not quoted in the thesis. They are also not included in any of the summary tables in the empirical chapters and are not part of my relational geometries (Chapter Six). That

said these 'background' interviews were often insightful, possibly because they did not feel so obliged to speak on behalf of the firm they were representing (Schoenberger 1997).

Of those professional finance agents that have been quoted in this thesis, the following two tables (4.6 and 4.7) outline, where possible, the qualifications, work histories and where each finance agent comes from. The information was gathered in my face to face interviews. Arguably four main differences between the two regional samples exist.

Firstly, in the North East at least eight finance agents are originally from the North East region compared to only two of the East Midland agents actually being from the East Midlands. This implies there are a higher proportion of finance agents in the East Midlands who have somehow 'arrived' in the region, and could suggest that the East Midlands may be a more porous, easy to enter and attractive place to work than the North East. The second notable difference is how there is only one finance agent in the North East (Marvin Evans) who has an explicit work history in technology transfer compared to four finance agents in the East Midlands. This could mean that finance agents in the East Midlands are better equipped and experienced to help foster local entrepreneurs to commercialise their ideas than in the North East, although until the empirical work has been undertaken it is only possible to speculate.

A third notable difference is that three North East finance agents have previous experience of working in the public sector and have come into their present positions via the North East's regional development agency. Although it is difficult to be certain, what appears to be a lack of new entrants into the financial architecture of North East could necessitate an element of regional recycling whereby a limited amount of finance agents move around and between jobs contained within the region. Meanwhile, none of the East Midland finance agents in this sample have worked in the public sector and local government apart from those finance agents that have worked in or currently work in universities.

A final notable difference is that five North East finance agents have their backgrounds in banking and accountancy as opposed to only one East Midland

finance agent. Meanwhile, three East Midland finance agents have worked previously in private venture capital firms compared to only one North East finance agent (Miriam Stoppard) making it explicit that they have venture capital experience in a private equity firm. This implies that it is likely there are more finance agents in the East Midlands finance community than in the North East who understand better the requirements and expectations of venture capitalists, and could pass this knowledge on to local entrepreneurs seeking finance because the banking and accountancy profession arguably requires a slightly different set of financial practices and knowledge to the venture capital profession.

In sum then, in terms of the work histories and biographies of this sample, East Midland finance agents appear better skilled and equipped to help foster entrepreneurs become investment ready and secure equity than North East finance agents. This is because North East finance agents appear to have less experience specifically in the venture capital and technology transfer industries and instead, have work histories predominantly in the public sector, banking or accountancy. If such differences affect the ability of entrepreneurs to secure finance, or the levels of connectivity that each finance agent has is explored in the empirical chapters.

Name	Position	Originally from	Qualifications	Work history
North East Finance Agents				
Brendan Meredith	Venture Capitalist /Fund manager at Northern Venture Managers (NVM)	Middlesbrough – North East	BA Politics, Durham Trained accountancy	Pricewaterhouse Coopers (PWC) at Newcastle
Marvin Evans	Venture Capitalist /Fund manager at Northern Enterprise Ltd (NEL)	Unknown	MSc Industrial Biotechnologist, Newcastle	3 years at a technology transfer office in Sheffield.
Marcus Hunter	Venture Capitalist /Fund manager at NStar Finance	Darlington – North East	Degree at York University, MBA at Durham in 1993	Worked in the 'City' for 15 years, 3 years at One North East
Luke Wardle	Venture Capitalist /Fund manager at UK Steel Enterprise	North East	Undertaking an MBA at Durham	Yorkshire Bank
Shaun Farris	Corporate Financier at Codeworks	Unknown	Economics and accountancy, Newcastle University, MBA at Cranfield	Walberg Securities, London Enterprise Agency, and built up Lender Ventures Cranfield business development department, Ran own consultancy company in telecoms technology, later joined a client in another Telecoms Technology firms in Dublin
Frank Aspel	Corporate Financier at UNW	North East	Economics, Bristol University	PWC, Bristol (4 years) Newcastle (17 years)
Brian Coulson	Senior position in the Business Investors Group (BIG)	North East	Unknown, but trained graphic designer	Allied Supplies, Cravens Martin & Tate. In 1986 set up own consultancy, specialising in designing supermarkets and superstores.
Howard Carter	BIG	unknown	Mechanical Engineering, Cambridge 1979	ICI 1980-mid 1990s Mid 1990s Northern Electric as overseas development manager, left 1998, worked in Sweden and Finland, returning to North East in 2001
Cliff Landles	BIG	South East	PhD Biochemical Dendrology	Senior Lecturer at Middlesex Hospital for 19 years. Amerish International – undertaking licensing, strategic R&D Since 2000 set up own consultancy on knowledge exploitation
Damon West	BIG	North East	Military from 16 years old for 10 years	General Electric for 10 years – ran Dubai office for 6 years. Siemens for 6 years
Aaron Lawrence	Technology Transfer Office, Newcastle University	North East	Economics, Manchester 1977.	Worked in Thermo Scientific, was transferred to Massachusetts. Returned to England in 1995 ran Bell Technologies European operations, sold company in 2000
Daniel Simms	Corporate Financier, Quantum Finance	North East	Trained as an accountant with Grant Thornton	Grant Thornton One North East - working with inward investment. Finance director roles of companies
Miriam Stoppard	The Alchemists	Unknown	Degree at Oxford, MBA, undertaking a PhD in criminology	3i, Courtaulds Textiles, Tyzack – all in positions of corporate development and headhunting
Dean Francis	RTC	Leicester	Marketing, Newcastle	Northern Marketing Initiative, ran own consultancy business too
Henry Potter	Entrust	Halifax	unknown	Banking and finance with Co-op bank

Table 4.6 North East Finance Agents' Positions, Work Histories and Biographies
(source: researcher interviews)

Table 4.7 East Midlands Finance Agents' Positions, Work Histories and Biographies
(source: researcher interviews)

Name	Position	Originally from	Qualifications	Work history
Finance Professionals in the East Midlands				
Liam Perry	BioCity (Senior position)	unknown	BSc Genetics, Nottingham, PhD, Oxford, accountancy training Ernest and Young, Oxford	Palo Alto – biotech practice – 2 years Cambridge Ernest & Young, heading up corporate finance, IPO in biotechnology – 7 years
Jack Oliver	EMIN	South West	Chemistry, Birmingham	BP business investment analyst, and retail buyer for petrol stations and motorway services Open University – Business development manager – 4 years University of Derby – head of Commercial Services, set up and ran the IP exploitation vehicle.
Dominic Lodge	Fusion Corporate Finance	London	Geology, Kings College MBA, Manchester	Civil engineer at John Mowlam 4 years 3i Watford and Sheffield offices Set up corporate finance departments at Ernest & Young and Benter Jenser
Blake Sherwood	Business Angel	Scotland	unknown	GEC, financial analyst and then operations manager for Chrysler, Montague Industrial Equity Finance, London. Manager of Lucas Industries. Part time lecturer Warwickshire and Leamington Spa college on finance. Runs own consultancy.
Bill Lambert	Incubation Manager Leicester University	Warwickshire	Unknown	Background in corporate planning in industry and consultancy. 20 years of experience of technology transfer and management of university spin out ventures. Technology transfer role at Nottingham University. Left Nottingham Uni to run a spin out on veterinary vaccinations.
Vince Bell	Fund manager at Catapult	Unknown	Business Administration, Bath University	3i offices in Leeds, Leicester, Nottingham, Watford and Birmingham. Mutually agreed to leave 3i to set up the East Midlands RVCF fund - Catapult funding with a former colleague at 3i.
Hugh Mills	East Midlands Business Angel Network (EMBA)	Scotland	BA Philosophy, MBA, Warwick.	LEX Plc which did vehicle distribution and hotels. Worked in their business development section in both UK and US. Left and ran own business importing and selling cars.
Gwendolen Pearl	Lachesis Fund	Derby	History, Hull. Then later in career took solicitors exams	Recruiter for a car manufacturer. Then after she passed her solicitors exams, moved to the IP department of Loughborough Uni and worked up the ranks.
Arthur Moyer	Private business angel	London	Degree from Cambridge	Apprentice for Rolls Royce as an engineer, then moved to head office operations for Rolls Royce. Since retired.
Phil Swiss	Corporate Financer at Tenon, Nottingham	Mansfield	Economics and Accountancy, Newcastle	Trained at Freeth Cartwright (Solicitors)
Eddie Drake	Connect Midlands	unknown	unknown	Worked in management positions in mining and the automated dealerships. Was made redundant and ran own business consultancy for 10 years.
Craig Alexander	Business Angel with Beer & Partners	Bradford	Civil Engineering, Dundee. MBA, Manchester	Civil engineer for Anglian Water British Gypsum

4.3.5 Survey of Entrepreneurs

In terms of the entrepreneurs seeking finance, prospective entrepreneurs were identified and accessed by my attendance at investor conferences and other networking events in both regions. A total of twenty entrepreneurs in each region were interviewed on their experiences of seeking finance, being prepared to be investment ready and on their opinions of the financial landscape. The total sample size of entrepreneurs I collected and non responses are listed below. The reasons for non responses are listed in Table 4.8.

Table 4.8 Survey of Entrepreneurs

	Total Size of Sample	Total Interviews Conducted	Non-Response
North East	34	20	14
East Midlands	32	20	12

An important consideration is that the sample of entrepreneurs I approached was partly self selecting. This was because the investment events I attended were for entrepreneurs who in the main had not secured finance from private networks of finance such as family and friends.

Table 4.9 highlights how 85% of North East entrepreneurs non response rate was attributable to the fact that I was unable to speak to the entrepreneurs after I had sent out the original letter for invite, compared to only 33% of East Midland entrepreneurs. A number of possibilities could explain this difference. East Midland entrepreneurs may be more willing to interact, share knowledge or as discussed shortly in section 4.4.2 of this chapter, it could reflect the difficulties I encountered in negotiating with the gatekeepers to be able to access the entrepreneurs.

Table 4.9 Reasons for non response by entrepreneurs

	North East	East Midlands
Didn't return calls/ unable to speak to entrepreneur	12	4
Not based in Region	0	2
Ceased trading	2	1
I did not follow up	0	5

At the outset of this research I had hoped to interview and compare entrepreneurs' experiences of seeking finance by sector. Although the investment conferences I attended in the East Midlands, in the main, showcased high technology businesses there was no sectoral focus in the North East. Informed by the standard industry classification system, Table 4.9 provides a breakdown of the number of entrepreneurs I interviewed in each sector.

Table 4.10 Number of Entrepreneurs Interviewed by Sector (informed by SIC codes)

	East Midlands	North East
Software Consultancy and Design	8	11
Manufacturing	1	5
Product Design	5	0
Leisure/lifestyle	1	2
Research and experimental development in natural sciences and engineering	4	1
Railway Maintenance	0	1
Biochemical analysis and testing	1	0

Although the actual numbers are small, I argue that the sectors in which the sample of entrepreneurs operated partly reflect the dominant industrial structures and histories of each region. For example, it is unsurprising that there are four more manufacturing businesses in the North East seeking finance than the East Midlands given that the North East historically was an industrial heartland whose local economy was built up on manufacturing. Meanwhile, 55% of entrepreneurs in the North East had businesses

within the software consultancy and design sector. Although 44% of East Midland entrepreneurs were also in this category, the figure in the North East may be influenced by, or a result of the spin-off's from SAGE, a large computer software company specialising in business management software and customer relationship management software services founded in Newcastle 1981 where it still retains its headquarters.

Again, acknowledging the small actual figures, the five East Midland entrepreneurs in the product design category, four in research and experimental development and one in biochemical testing and analysis suggests that East Midland entrepreneurs are clustered in more innovative, value added and knowledge intensive sectors than their North East counterparts: only one North East entrepreneur, Piers Bishop, was classified in experimental development in natural sciences category. Three of the four entrepreneurs in the Experimental and Development research and development sector were working on advanced bioscience products which included engineering human tissue (Max Hart) or creating a cancer vaccine (Issac Greene). Three entrepreneurs I interviewed (Issac Greene, Max Hart and Kit Madden) were also located in BioCity. It is plausible to suggest that the cluster of businesses in the health and bioscience sector in my sample reflects the East Midlands specialism in health and biology research and the legacy of Boots the Pharmacy founded in Nottingham.

An alternative way of categorising my sample of entrepreneurs is in terms of the entrepreneurs genealogies which also highlights the heterogeneity of regional entrepreneurs. Table 4.11 gives an insight into how the company that the entrepreneurs were seeking finance for was formed.

Table 4.11 Genealogy of How Companies Formed

	East Midlands	North East
University Spin Out	5	3
Family Owned	1	0
Self employed	3	10
Partnership	11	7

Appreciating that the actual numbers are small, a notable difference between the two regional samples of entrepreneurs is those entrepreneurs operating in a partnership and those that are self employed. Some 55% of East Midland entrepreneurs compared to 35% of North East entrepreneurs operated their company as a partnership, 50% of North East entrepreneurs were self employed, operating as 'one man bands' and/or sole shareholders compared to 15% of self employed entrepreneurs in the East Midlands. Although difficult to be sure these findings could suggest that East Midland entrepreneurs are more willing to interact and enter into alliances to achieve certain outcomes, and that ties of reciprocity and trust may be more prominent amongst this sample of entrepreneurs. Meanwhile the 50% of North East entrepreneurs that operate independently could suggest this sample of entrepreneurs is less networked and less willing or able to intersect and cooperate to achieve business outcomes. It may also suggest that the rich supply of equity (Chapter 3, figure 3.6) makes it easier for entrepreneurs to set up and do business alone. These questions can be answered more fully in the empirical chapters. Further contextual material about each sample of entrepreneurs' genealogies is outlined in Table 4.12.

There are two notable considerations in Table 4.12 worthy of discussion. Firstly, that six and four entrepreneurs in the East Midlands and North East respectively have owned previous companies, although at the time of interview only one entrepreneur in each region in this category had received finance. The second consideration is that three times as many East Midland entrepreneurs at the time of interview had shareholdings in other companies. Although this will be explored more fully in the empirical chapters it could suggest that East Midland entrepreneurs are more connected or may be more wealthy and entrepreneurial.

Table 4.12 Further Entrepreneurial Genealogies

	East Midlands	North East
Left a company to set up new business	2	1
Had/owned previous company	6	4
Made Redundant	2	0
Has other shareholdings in other companies	3	0
Victim of foul play i.e past business partners stolen money	2	1

Thus, this research into the development and construction of finance gaps at the local level, and the connections that finance agents and entrepreneurs have across space, was based on semi structured interviews with a total of 40 entrepreneurs, (20 entrepreneurs in each case study region) seeking finance or who had recently sought finance. Semi structured interviews of 38 finance agents, 21 in the North East and 17 in the East Midlands were also conducted about their experiences of doing business and their network of contacts, supported by 19 instances of non participant observation, 13 instances in the North East and 6 instances in the East Midlands (Table 4.11).

Table 4.13 Research Summary

	North East	East Midlands
Entrepreneurs interviewed	20	20
Professional finance agents interviewed	21	17
Non participant observation undertaken	X13	X6

4.4 Undertaking the Fieldwork

This section will provide a broadly chronological account of how the research process was conducted. The justification for this is to demystify the research process as a linear and smooth operation.

4.4.1 Identifying and Sourcing Respondents

Before I could engage with the groups identified in the research summary (Table 4.11) I had to identify them. To find venture capitalists, corporate financiers and business angels in both regions I used mainly web searches. My starting point was to identify the fund managers for the RVCF in the East Midlands. Via my previous masters research I already had a pre-existing contact for the North East's RVCF. I visited the national business angel network website where I retrieved a contact for the East Midlands Business Angel network and confirmed my contact for the North East's business angel network although I still revisited the Business Investors Group (BIG) website to supplement my list of business angel contacts. Next, I used both the hard and electronic versions of the British Venture Capital Association membership directory for 2003/2004 to identify other venture capital companies that may have been indigenous to the North East and East Midlands. This was mainly done using their electronic search engine to flag up venture capital companies that operated in a given region and invested in certain sectors or stages of business. These searches would return about twenty firms claiming to make investments in each of the regions, but by checking the addresses of these investment companies, rarely were they indigenous to the region. Corporate financiers across both regions were more straightforward to find via the web using searches with google and yell.com. Finance professionals were also accessed by my attendance at numerous investment conferences where I undertook non participant observation.

Access to the investment conferences were through each of the agents in charge of preparing entrepreneurs to be investment ready in either region. My North East gatekeeper, Henry Potter at Entrust, was established back in 2003 via a colleague in CURDS who I accompanied to an Investor Forum. After my MA, my attendance was

allowed to continue and was never questioned. The Connect Midlands Investment Conferences were found by searching 'access to finance' on the website of the East Midlands Regional Development Agency (EMDA). I first contacted Eddie Drake, who was in charge of the preparation process at Connect Midlands called Invored, via a letter outlining the aims of the study and asked for a preliminary meeting to discuss the research in more detail at Loughborough Innovation Centre back in October 2004.

While at the networking events, to match better the profiles of those I was hoping to interview and to encourage cooperation (McDowell 1998), I had business cards made to hand out. Because I was attending networking events a while before I undertook the empirical fieldwork in both regions, any business cards I received, I stored carefully, noting on each, the date and event when I got them. A small proportion of respondents were identified via occasional snowballing where I asked the finance agents I interviewed if they knew or could suggest other agents that they thought would be useful for me to speak to. To encourage cooperation I always asked permission to use to their name as a reference, a method that worked extremely well and I am sure helped me to secure interviews I would not have otherwise got.

4.4.2 Planning and Securing Interviews

By October 2004 I had a considerably larger database of contacts in the North East. I chose to undertake my empirical field work in the North East first from November 2004 to April 2005. To secure a healthy response rate from the professional finance agents, I sent my letters for interview after Christmas and started these in February 2005 but started my entrepreneur interviews from November 2004. In hindsight, I would have liked to interview entrepreneurs and finance agents simultaneously in the North East, as I gleaned insights into the different versions of reality it would have been useful to draw on in subsequent interviews (McDowell 1998, Jarvis *et al* 2001). This did happen in the East Midlands where I undertook interviews with finance agents and entrepreneurs simultaneously between May and July 2005. Everyone was invited for interview via a letter assuring agents confidentiality and anonymity. Although like McDowell (1998) in attempting to gain access it is important to be open and honest as possible about the research 'there is always room

for a particular gloss on a project' (1998: 2136). Consequently there were subtle differences in the description and outline of the aims of the study provided to participants depending on which sample the agent belonged to and in which region. In letters sent to entrepreneurs I stressed that I was keen to discuss their experiences of seeking finance, while in letters to professional finance agents I asked to discuss their experiences of doing business in either case study region.

To encourage participation each letter was sent on CURDS headed notepaper. Each letter was personalised too by referring firstly, to the agents position within the firm, plus what their business made/service offered and secondly, where we had met or where and when I had watched their presentation. Assurances were made that interviews would be arranged swiftly and at the participant's convenience. In the North East I told respondents they could visit me at the University where a parking space would be reserved. If I had not heard from the respondent after a week I would contact them via phone. During my call backs a difficulty I repeatedly encountered was negotiating access to the potential interviewee with secretaries who seemed ardent gatekeepers. So far within both the newer and older waves of studying 'elites' (Hughes and Cormode 1998, Smith 2006) the role of the secretary as a significant intermediary remains relatively overlooked and neglected, surprising given that they are significant agents of control. The lacuna in the literature does not acknowledge how the double positionalities of the researcher and the secretary, as well as the complex set of power relations that are present within this brief but crucial interaction are negotiated and made clear.

From my own experiences I feel that the positionality of myself as a young sounding, female researcher from a university, and the positionality of the secretary, often young and always female, hindered me in speaking to the usually male agents (entrepreneurs and professional finance agents) although it is difficult to be certain. I strongly suspect that had one of my older male colleagues with 'Dr' in front of their names rung up they would have had a different but more successful experience in arranging interview appointments.

Information asymmetries between me and the secretary often acted as a barrier to secure access to the agent. The secretary had not always read the letter I had sent to

the potential interviewees, and I would have to explain to the secretary why I was ringing. My attempts to seem knowledgeable often worked to my detriment given that I was suspicious that secretaries were not familiar with the nature of the venture capital sector. I suspect that their lack of understanding meant that they were unable to decipher if I was ringing for a 'valid' reason (Schoenberger 1991). Sometimes I felt that their lack of understanding made them hostile and uncomfortable and therefore the entrepreneur was 'unavailable to speak or in a meeting anyway'.

When calling entrepreneurs I often heard the secretary wrongly explain why I was calling,¹ which I feel hindered me being able to speak to the entrepreneur. This drew attention to the problems of interpretation, language and meaning (Schoenberger 1991). Sometimes when I was feeling brave or more honestly needed to secure an interview to ensure equal sample sizes, I highlighted to the secretary that her explanation was inaccurate. This tended to result in an uncomfortable silence until the secretary, careful not to compromise her own status in front of me, or her boss, reverted to her hostile and defensive self.

Before my interviews two aide memoirs were constructed, one for each group of respondents. These covered the main themes I wanted to cover with each sample of agents in the form of open ended questions to facilitate a structured dialogue without being too directed, inflexible or passive (Schoenberger, 1991). To check for inconsistencies and to allow me to verify my findings, I made sure that I asked the same question from a number of different angles but this sometimes backfired and appeared repetitious to some agents.

Each memoir was drafted about four times mainly because I was not asking neutral questions, neutral in the sense 'to ask questions that did not lead the interviewee' (Kobayshi 2001: 58). My aide memoir also had a number of prompts to use if the agent was having difficulty answering, though I tried not to use these to prevent me directing the answers. Similar to Jarvis *et al* (2001) some interviews were a little different from the last, and to an extent the latter interviews reflected insights and

¹ Many early stage businesses have all employees in one room

themes that I had gained from former interviews. They also changed as I became more skilled and confident in doing the interviews (McDowell, 1998)

4.4.3 Undertaking Interviews

On average my interviews tended to last an hour though some were as long as two and a half. Interviews with entrepreneurs were sometimes shorter reflecting their lack of, or more limited, financial knowledge. On four occasions in the North East I turned up to interviews with professional finance agents and was told that the interview had to be considerably shortened. In these situations I cut questions on business plans given that the decision to lend money is not necessarily based on the need for a well constructed business plan (Wray 2003).

The section in my aide memoir on connectivity where I explored to what extent agents engaged locally and non locally was at the end. In hindsight I could have moved this section further forward as the theme of connectivity became a significant focus of the research: during the course of this research I developed a more relational geographical approach. Given that I got a rich data set regarding the issue of connectivity I would extend this section considerably if this exercise was undertaken again.

It appeared difficult for my respondents to articulate, identify and talk about their networks of contacts. This may be attributable to my positionality as a geographer interested in network analysis and that I mostly recognise the multiple and overlapping networks in which I am embedded. Nevertheless, this difficulty points to another gap in the literature that exists currently in relational economic geography. Despite the emphasis by a number of authors on employing relational approaches to examine the universes of interactions (Ettlinger 2003) or knowledge transfer between economic agents (Amin and Cohendet 2004), there is a stark lack of information about how to 'do' relational economic geography and in particular what methodologies are needed to set about interrogating and understanding networks empirically (Yeung 2003, 2005). Geographers need to experiment with methods to overcome this chasm in a way that is sympathetic to our research subjects.

Given the difficulties in articulation it was probably sensible to put this section on connectivity at the end of the memoir as the rapport built up meant some respondents were more comfortable to admit that they needed help in answering these questions. This experience reinforces my commitment to Smith's (2006) assertion that there are multiple and shifting power relations within any interview and 'studying up' does not necessarily imply prescribed power relations. In my interviews with both professional finance agents and entrepreneurs they became supplicants of information by asking what other agents had said, asking for advice, what the main findings were, or asking for further clarification. In one instance an entrepreneur yet to secure finance asked if I would give out business cards on his behalf.

All my interviews were conducted face to face and all but one were recorded. The first seventeen of my interviews in the North East were cassette recorded until the department purchased its first digital recorder. There were three to four occasions when either the tapes did not record or only partly record and the tape ribbon came loose. This meant that I would have to frantically supplement the notes that I had taken in each of the interviews. The digital recorder was extremely useful as the quality and reliability of the recordings were more assured and I could easily transfer these interviews onto the computer for safe keeping and easy access at any point in the interview. I was careful to spread out multiple interviews in the same day to allow enough commuting time. Sometimes too much time meant a lot of hanging around in lay-bys or in cafes reading Hello magazine.

At the start of every interview I would print out a dated agenda on headed notepaper, another tactic to mirror similar behaviour to those I was interviewing. Deliberately the agenda only gave broad themes so the interviewee could not start to form any assumptions or have a 'ready made' answer to a question. The interview agenda that I gave to professional finance agents and entrepreneurs contained slightly different topic headings. I also gave a brief overview of who I was, what the research was and its aims. I also stressed to entrepreneurs that they may not know the answers to all the questions, particularly if they were in the early stages of seeking finance. These silences or absences of themes were useful to give an insight into their view of the

world and stock of financial knowledge. In future it would be nice to re-interview the entrepreneurs to compare and contrast their financial knowledges.

I was aware that *where* the interview took place would be likely to influence the data that I gathered as arguably it is not possible to achieve an entirely 'neutral' environment (Jarvis *et al* 2001). Table 4.14 shows the breakdown of where the interviews were undertaken with professional finance agents. I interviewed all entrepreneurs at their place of work.

Table 4.14 Location of Interviews with Professional Finance Agents

	North East	East Midlands
University	7	0
Respondents Place of Work	13	8
'Neutral'	0	1
Respondents Home	0	3

I would reject the idea that there is ever a neutral context: all contexts allow and perhaps heighten the tension of how elites talk 'about' and 'for' the firm and how this was negotiated between their own cultural perceptions (Schoenberger 1991, 1997). Interviewing agents at their place of work gave me a useful insight into observing personal props like screen savers, the cars parked outside, photographs, mounted certificates or press cuttings plus observing the agents manner with secretaries for insight into their positionality and the practices in the office. It was also interesting to consider the space in which the interview was undertaken – an anonymous board room or sat at the interviewees' desk as it reflected the different corporate elite performances and cultures.

Like Jarvis *et al* (2001: 170) I too thought it was important to record 'the salient observations concerning the conduct of each interview to ensure that sufficient contextual detail existed for informed transcription, interpretation and analysis of the interview material'. Immediately after each interview I would find a space and sit (or perhaps lean) and write down any observations and thoughts that I had such as clothing, body language and crucially any off the record comments. If I had driven to

an interview I felt suspicious sitting outside a respondent's house or office car park recording these observations so I would drive until I was out of sight then record.

At the networking events, to record and recall my observations, field notes were taken. While some researchers disguise the purpose of their field work I was open about why I was at the investment events. Similar to my interviews I would not argue that I was an 'objective observer' and didn't watch my research subjects in a detached, emotionless manner (Laurier, 2003, 135). I tended not to have a designated field book but instead wrote my messy observations in the documentation provided at each event which was then supplemented in more private spaces like my car or bathrooms (Laurier, 2003). Often my field notes were iterative, constantly evolving, and after I had re-read them, my observations would often be 'tweaked' with more analytical comments that linked to conceptual ideas and theoretical debates.

4.4.4 Transcription, Analysis and Writing Up

All the interviews I conducted I transcribed verbatim. At first I tended to transcribe my interviews within a couple of days of conducting them, but once I was doing about six interviews a week this was impossible. There are no words which can describe what a long and lonely process transcribing is and although I searched for professional transcribers, the lack of software they had for either digital data sets or small cassette tapes made this avenue defunct. In hindsight I should have been more selective in my transcriptions to save time (McDowell 1998).

I was aware that by doing the transcribing myself I was re-familiarising myself with the data and doing the first layer of analysing (Jackson 2001). Although it would be desirable to listen to a whole interview as opposed to the disjointed experience of transcribing and 're-listen for nuances' such as hesitation, laughing and changes in feelings and tones (Jackson in Limb and Dwyer, 2001) or changes in their narrative position (McDowell 1998) the amount of interviews I had meant it would take nearly two weeks just to re-listen to them which I did not feel was the most productive use of my time. If I had a smaller database this would have been desirable.

I attended a workshop on qualitative analysis software packages NUDIST but decided against using this software on three counts. Firstly, none of the computers in my building had the software installed. Secondly, there was the issue of the time it would take to familiarise myself with how the programme worked. Thirdly, and most importantly, I felt, ironically, that the package hindered me in immersing myself in the data.

After conducting and transcribing my interviews I had a rich and comprehensive database that needed to be made sense of. To manage this I printed off each group of agents that correspond to the research matrix (table 4.11). To be able to immerse myself in the data I set aside at least two full days in succession to sit and read them. Here I was looking for the plot, where the narrator was situated in it, plus inconsistencies, absences, silences and revisions in the plot. Because I was interviewing human agents I expected inconsistencies and shifts, especially if agents had ambivalent views.

Given the admission by a number of academics that there is a 'diversity' of methods and no complete 'cookbook' of 'how to' interpret the data gathered (Crang 2001) I developed my own approach to the analysis of the interviews to try and 'make sense of the data' and to 'reconstruct world views' (Crang, 2001, 215-216). This was a mixture of the methods employed by Jackson and Crang. Mainly this was done by coding, that is 'where the data is carefully combed through by the researcher, marking up the transcripts with a series of 'codes' or categories that label particular words or phrases for subsequent analysis' (Jackson 2001: 201). Although I did not do formal discourse analysis (a formal deconstruction of voices behind the narrative) an appreciation of this permeated the conduct and analysis of the research (Jarvis *et al* 2001: 170).

While reading each of the transcripts I wrote in the margin a mixture of 'analytical' and more 'invivo' comments against particular phrases or sentences. Unlike Crang (2001) I did not set out my transcripts sentence by sentence. These interpretative codes involved various degrees of abstraction. Analytical codes refer to codes that I had constructed myself and would include references to relational proximity or policy implications plus some of the possibilities and ideas this could lead to. Invivo

comments were codes developed from the participants own phrases such as 'can't afford market data' or 'my baby syndrome'. Although I recognise that coding is intended to make the analysis more systematic, and to build up an interpretation through a series of stages, sometimes its was difficult not to jump to premature assumptions. It was difficult not to reflect on how the data fits with some of the theoretical debates and conceptual issues that led me to undertake the research in the first place (Jackson 2001: 202) particularly because by transcribing my data I had already done the first layer of analysis. My defence here is that if I had an idea while transcribing it would do no harm to write it down in brackets in the transcript but to bear in mind when the thought had come to me.

After reading through a number of transcripts common themes started to emerge *within* and *across* them. Some themes were obviously structured by my aide memoir but some were more unexpected and were 'revealed' the more I read the data. Each theme had a number of properties or sub categories which Crang (2001) calls axial categories but these were not always fixed. As the interpretation of the interviews progressed, these sub categories were often revised, amended or broken down to form new categories or became redundant. Similar to Crang (2001) at the end of coding my transcripts I created a 'code map' which aided and structured the writing up of the data (Crang 2001).

To immerse myself further into the data I re-read back my transcripts and pasted sections of dialogue into separate documents pertaining to the different codes I had identified. Naturally some quotes and sections of dialogue fitted into more than one category but this highlighted the 'messiness and complexity that qualitative data celebrates' (Crang 2001:228). This tactic also reduced the risk of the data becoming de-contextualised, detached or cherry picked and meant I had several booklets of quotes to support my claims.

Although I had several thematic booklets of quotes, a wide range of opinion and experience were expressed in them and my rich data set meant there were many directions and options of how my writing up could proceed. Given that more themes had emerged from my data than what I had space to write about, it forced me to think carefully about how to structure the material and sections in a way that told a coherent

and flowing narrative. That said, I found the writing up process an extremely iterative process: just when I had consolidated and streamlined a theme, in the process of writing up and organising a chapter, new questions about the data or its relation to theory and my theoretical framework were continuously emerging. This meant that ideas constantly evolved during the writing up stage and it became an interactive process of writing, reflecting on ideas and reconsolidating the ideas. Arguably the writing up was indeed another layer of analysis where meanings, ideas and connections were made and remade as the drafts evolved.

4.5 Conclusion

This chapter has presented some of the theoretical debates and philosophical assumptions that accompany the mainly qualitative research methods employed in this research. It has also provide a detailed description of the research design, the methods used and the way in which the research was undertaken, from conception through to data analysis. Given that I am aware of, and sympathetic to, the politics of knowledge production and representing the world views of others, I continue to emphasise that the empirical material I am about to report on is a highly situated and partial narrative about the cultures of lending in the North East and East Midlands.

Examining the Ecology of Interaction and Communication in the East Midlands and North East of England Finance Communities

5.1 Introduction

The aim of this chapter is to understand the different kinds of 'buzz' or 'social atmospheres' that capture the ecologies of interaction and communication between agents in each of the regional finance communities. By buzz I refer to the idea that 'actors continuously contribute to, and benefit from the diffusion of information, gossip and news in a particular locality just by being there' (Bathelt *et al* 2004: 38 Gertler 1995). It is also concerned with examining the different types of institutional linkages and interdependencies, traded or un-traded (Storper 1995), that exist amongst the institutional terrain and to what extent organisations are interlinked. In making this investigation I will be able to uncover the strength of ties (Grabher, 1993, 2004) or range of interactions between institutions and agents, the types of coalitions and alliances that have resulted and if the community is characterised by a shared collective endeavour (Amin and Thrift 1995). Uncovering any practices, norms or conventions that are widely adhered to within the community, and examining if agents are bound together through a common enterprise, will allow me to speculate if the finance agents could be conceptualised as operating in a community of practice (Wenger 1998).

This foray into the dynamics and practices that underpin two finance communities stems from concerns within institutional approaches in economic geography. These concerns have sought to understand the mechanisms that underpin the geographical agglomeration of some industries, and the processes that explain how information and knowledge flows within them. As outlined in chapter two, such approaches are premised on a number of assertions. Firstly, that under the 'right' kind of conditions

and degree of institutional thickness, specific advantages or localised capabilities accrue from the co-presence of firms and agents in similar or complementary activities and leads to innovation and local economic development. By localised capabilities I refer to a set of competencies, specialisms or strategic alliances that are socially and institutionally embedded in a particular place and cannot easily be moved (Gertler 1995). The second assertion refers to the importance given to face to face contact in exchanging information, especially knowledge that is seen to be economically valuable or tacit. Face to face contact is stressed as the main way this kind of knowledge can be transferred (Storper and Venables 2004). This thesis ultimately attempts to problematise territorial accounts that assume spatial proximity leads to successful associations between agents or the successful interchange of tacit knowledge, while more generally it attempts to problematise assumptions that spatial proximity and the co-location of complimentary firms necessarily leads to local economic development. It also stresses the importance of interactions at a distance for innovation and creativity. Nevertheless by drawing attention to the socio-institutional architectures of two finance communities, and the way in which their architectures shape their financial networks and associations, this chapter highlights the local characteristics that underpin learning and innovation in finance communities.

The structure of this chapter is organised into three parts. In the first section based on my empirical material and informed by Amin and Thrift (1995), I outline each of the region's institutional architectures in terms of the support agencies which had connections to the main regional intermediaries (Connect Midlands or Entrust). These institutions were also mentioned by local entrepreneurs in their interviews which they used to help them navigate the financial landscape and filter how entrepreneurs access funds. This foray allows me to debate the institutional thickness or thinness of each finance community and is also useful to consider how the institutional architectures mediate the capacity of each regional finance community to foster entrepreneurship, innovation and buzz.

In the second and third parts of this chapter I examine the different ecologies of interaction and interrelations that exist amongst each regional socio-institutional terrain to understand the different kinds of buzz or social atmospheres that characterise each professional finance community. The second section predominantly

focuses on the main regional intermediaries, Connect Midlands and Entrust, whose remits are to make entrepreneurs investment ready through appropriate training and to draw together investors and entrepreneurs via their respective investment events. Both intermediaries are key gatekeepers in each finance community and provide a useful starting point to examine the ecology of interaction amongst the socio-institutional setting as I reveal the connections and interdependencies finance agents and organisations have to Connect or Entrust. Still in section two, I discuss my observations from the investment events hosted by Connect Midlands and Entrust. This supplies further insights into the behaviours and social atmospheres that characterise each community and if the local intermediary acts as a source of coherence within the community. In the final section of this chapter I examine interrelations that exist elsewhere in each finance community. Whether each finance community could be conceptualised as a community of practice will be a consideration permeating all sections. Appendix 2 provides a list of the names and positions of the finance agents quoted in the empirical chapters – please note that all finance agents names have been changed to pseudonyms.

5.2 Institutional Thickness or Thinness?

One facet of institutional thickness highlighted by Amin and Thrift (1995) refers to the 'rich plethora' of agencies and organisations in a locality to 'encourage innovation, skill formation and the circulation of ideas' (1995: 104). Institutional thickness is also seen to embed economic life in particular localities to support endogenous development, although as Henry and Pinch (2001) claim, a plethora of support institutions is not always necessary to produce a successful and territorialized economic system. Based on my interviews with professional finance agents and local entrepreneurs, in tables 5.1 and 5.2 I have uncovered some of the support agencies and institutions elsewhere in the local financial terrain that have connections to the main financial intermediaries and which entrepreneurs mentioned they have used. The purpose of including these tables is firstly, to provide a partial snapshot into the agencies that support local entrepreneurs and filter how entrepreneurs get access to funds and secondly, given that these institutions are frequently referred to in the empirical chapters, the tables provide useful information into what each support

institution does to foster interaction, innovation and entrepreneurship in each region. Thirdly the tables provide an opportunity to debate the institutional thickness or thinness of each regional finance community, in addition to the agencies that provide equity finance (Figures 3.5 and 3.6). Although there are likely to be more support agencies in both regions, which may have connections to either Connect Midlands or Entrust or extra-locally, these tables only include those mentioned by my sample of finance agents and entrepreneurs.

Based on my interviews, I found dissimilar institutional terrains in each case study region. In relation to the North East region, the East Midlands appears to have a slightly thicker institutional architecture. One notable observation from table 5.1 is that the support organisations mentioned by my interviewees within the East Midlands have emerged since 2000. This could indicate institutional flexibility within the local terrain and a community of finance agents that are able to react to gaps in provision or knowledge to support and promote entrepreneurship (Hudson 2005). The thinner institutional structure of the North East, plus the age of Entrust and RTC, twenty five and twenty years respectively, could suggest a lack of institutional flexibility or autonomy in the region to create new agencies and respond to gaps in provision when or if they exist. The extent to which each set of local finance agents are locked into a dependent model of development or exist in narrowly defined conceptual spaces (Amin 1998) is explored as the chapter unfolds. To what extent the institutional architectures and institutional capacity of each locale, by which I refer to how the institutional architecture encourages and consolidates interaction and innovation amongst the socio-institutional setting, produces a set of territorially embedded conditions not ubiquitously available elsewhere is also explored. I will also explore if a density of institutions necessarily create the conditions for local economic success and a cohesive structure that entrepreneurs can navigate easily.

Table 5.1 Support Agencies Used by Financial Intermediaries and Entrepreneurs in East Midlands

	Year Formed	Discounted office/lab space offered	Events, Seminars and/or clinics held within the organisations	Electronic Newsletter distributed	On site conference facilities	Businesses share amenities such as kitchens or reception	Mentoring and access to finance support provided	Mission
EMIN (East Midlands Incubation Network)	2001	Yes	Yes	Yes	Yes	Yes	Yes	A network of business incubators – to increase the volume, value and survival rates of new start businesses
Loughboro' Innovation Centre	2002	Yes	Yes	Yes	Yes	Yes	Yes	Purpose designed business incubator for new and growing companies that are technology or knowledge based.
BioCity	2001	Yes	Yes	Yes	Yes	Yes	Yes	The UK's largest purpose built Bioscience and Healthcare innovation Centre
The Hive	2001	Yes	Yes	Uncertain	Yes	Yes	Yes	Purpose built enterprise development centre to facilitate the University to create and support new ventures
Connect Midlands	2004	No	Yes	Yes	No	N/A	Yes	A not for profit network linking high potential technology businesses with training and finance

(Source: Survey of Interviewees, Company websites)

Table 5.2 Support Agencies Used by Financial Intermediaries and Entrepreneurs in the North East

	Year Formed	Discounted office/lab space offered within their buildings	Events, Seminars and/or clinics held within the organisations	Electronic Newsletter distributed	On site conference facilities	Businesses share amenities such as kitchens, reception	Mentoring and access to finance support provided	Mission
Entrust	1981	No	Unknown	Yes	No	No	Yes	Enterprise Agency in the North East, supporting individuals, start-ups and established businesses to reach their objectives and goals.
Codeworks Connect	2004	No	Yes	Yes	Unknown	No	Yes	To create jobs and wealth in North East England by fostering the growth of the regions digital industries
RTC (Regional Technology Centre)	1987	Yes	Yes	Unknown	Yes	Yes	Yes	A technology transfer company whose aim is to help clients to exploit new opportunities and improve competitiveness through the application of technology, knowledge and forward thinking.

(Source: Survey of Interviewees, Company websites)

5.3 Regional Intermediaries

As mentioned in chapters 3 and 4, Connect Midlands and Entrust are the main regional intermediaries operating in the East Midlands and North East. Both have similar remits which is to prepare entrepreneurs to be investment ready, and host regular investment events that bring together investors and entrepreneurs pitching their business proposals. This section examines if the intermediaries are seen to meet their remit and act in recognisable or compatible ways in the opinion of other local finance agents. It also explores the different types of linkages or interdependencies agents have to Connect and Entrust and any (un)intended outcomes these connections produce. Any reciprocal arrangements between firms or agents will be revealed as well as if there are complimentary institutions and agencies that each undertake specialised services and cooperate with each other to achieve particular outcomes (Bathelt *et al* 2004).

5.3.1 Connect a Key Anchor?

During the research it emerged that Connect Midlands was a key node in the finance network which strongly influences the internal coordination of the finance community.

5.3.1.1 *Well Respected and Meeting its Remit*

In all twelve of my interviews finance agents appeared supportive of the 'very dynamic' (Blake Sherwood) team at Connect and adopted a positive view of its achievements, effectiveness and professionalism. It appeared that in the short time (eighteen months) Connect had been operating in the East Midlands it was a well respected and valued institution.

It appeared that Connect Midland met its remit in putting on successful investment events with good quality investment proposals, and coaching entrepreneurs to be investment ready. It 'pleased' Jack Oliver, director of EMIN, that the entrepreneurs presenting were pre-promoted up to five weeks in advance and that they marketed

their investment events 'very well' (Jack Oliver). Gwendolen Pearl of the Lachesis Fund admired Connect Midlands because they undertake 'a lot of screening of the proposals' that present at Springboard. Gwendolen felt this was 'so important' and meant Gwendolen felt that 'Connect is a very good' quality intermediary. Similarly Vince Bell a fund manager at Catapult complimented Eddie Drake because he 'has done a good job in helping young entrepreneurs put together their business plan and get it in shape'. Vince also felt Connect 'have been important in helping to get businesses investment ready because traditional corporate financiers have not been interested' at the smaller end of the market and so would not coach businesses to become investment ready. These opinions indicate that Connect is perceived as a well respected institution within the East Midland finance network. It is seen to meet its remit by providing access to good quality investment opportunities and helping to support early stage businesses to be investment ready, by which I mean helping entrepreneurs to understand the needs of investors and develop viable business plans through its Invored Programme.

5.3.1.2 Interlinked

Numerous sets of interdependencies and linkages existed between Connect Midlands and other finance agents and institutions in the East Midlands. Seven of the twelve finance agents I interviewed were actively involved with Connect or its Invored Scheme. Jack Oliver, for example, is on both the 'Connect Advisory Boards and is a Company assessor' as well as being a member of the Invored programme with his 'EMIN hat on' (East Midlands Incubation Network). Vince Bell at Catapult leads the Investment Deal Day on the Invored programme where he explains how equity is acquired and the terms suggested while the deal is being negotiated. This ensures that his expectations are passed directly onto the entrepreneurs while possibly fostering a familiarity with those entrepreneurs on the course. Aside from the more formal subcontracting arrangements with Connect, Vince told me that he has 'regular informal meetings' with Eddie Drake to keep current.

Blake Sherwood, an ex venture capitalist and now business angel, also conducts workshops for the entrepreneurs that go through the Invored programme. Blake does this job not because he is 'chasing a living out of it' (he is sixty three and semi retired)

but because 'he enjoys doing it' and has a genuine enthusiasm for helping young entrepreneurs. This is borne out by his angel investment into Prime Principle, a company formed by two university students that delivers educational software to primary schools who pitched at Springboard in October 2004. Other people who also mentor entrepreneurs on the Connect Invored programme are Liam Perry, who holds a senior position in BioCity, and Gareth Franks the incubation manager at BioCity. Through these sets of linkages I argue that Connect Midlands acts as a key node in the East Midland finance community drawing together local finance agents.

To ensure that entrepreneurs receive the best expertise and coaching, Eddie Drake admits that he is 'deliberately very selective' about who he uses to coach on the Invored programme: there is 'inevitably some variation' (Eddie Drake) in the business support sector. Eddie is also clear about the importance of forming alliances with other members of the finance community and that 'good working relationships are crucial' to what he is trying to achieve. Maintaining these alliances requires 'an awful lot of intervention' which 'doesn't mean sending out flyers and leaflets' but rather building up trust and familiarity by interacting with the network. That Eddie Drake has been able to recruit such high calibre and experienced finance agents to mentor on the Invored Course may be testament to the norms characterising the finance community that emphasise reciprocity, a willingness to share expertise and a collective endeavour to improve the chances for local entrepreneurs to secure finance. It may also be testament to how Connect Midlands is seen to act in compatible ways and is a trusted and well respected vehicle within the local financial landscape in the view of other local finance agents. The motives for professional finance agents participating in the Invored programme, however, may vary, particularly in the context of the more formal subcontracting arrangements where agents can charge fees and their logic is perhaps more individualistic.

Eddie Drake worked hard to ensure that Connect Midlands was linked with other institutions in the business support sector and recognised there were benefits from doing this. Eddie told me that he attends 'every SMART club' because the entrepreneurs that attend 'are good leads and referrals for us'. He saw the members there as

'...feed stock for Connect because they have raised grants (for research and development) and the next stage could be equity finance...' (Eddie Drake).

Four of the twenty entrepreneurs I later interviewed who had presented at Springboard had been sourced through their attendance at SMART clubs. A further two entrepreneurs were located in 'The Hive', a business incubation unit at Nottingham Trent University. This suggests reciprocal mechanisms were in place ensuring local entrepreneurs were systematically directed to Connect Midlands to become investment ready.

The offices of Connect Midlands were located in Loughborough Innovation Centre, an incubation unit for Loughborough University spin outs. The perceived wisdom in literatures concerned with innovation and knowledge would suggest that due to close physical proximity Eddie Drake would be familiar with new businesses in the Centre that may in future need to secure finance. At the time of my fieldwork, three entrepreneurs from Loughborough Innovation Centre had presented at Springboard events. One of these was Ewan Channel who I subsequently interviewed. No specific advantages were mentioned either by Eddie Drake or Ewan Channel by being in close proximity. Such advantages may be difficult to identify given how well connected Connect Midlands is with other agencies concerned with business support within the local milieu.

During my research it appeared that plans were afoot to recruit other sets of agents into the Connect network. Arguably this would reinforce Connect Midlands as a key node in the local finance community and acts as a centre of representation and interaction. Eddie Drake told me that since starting his job he has found numerous 'high net worth individuals not yet investing' in small high growth companies and despite wanting to 'are a little nervous' (Eddie Drake). Eddie recognised that it was not just entrepreneurs that needed help and support but investors too. Consequently Eddie was planning to host some investor training sessions for 'virgin investors' (*ibid*). At these sessions 'experienced investors' (Eddie Drake) would be invited to discuss 'the advantages plus the down sides of investing' (*ibid*). I interpreted there to be little doubt in Eddie's mind that he would have the cooperation of experienced investors to participate which suggests that Eddie could draw easily on a local stock

of expertise and experience in the finance community to secure outcomes and react to gaps in provision. If mobilised then this example would represent another way in which Connect Midlands would be embedding itself in the local financial landscape and also assert the reflexive capabilities of Eddie Drake.

The multiple interdependencies forged by Connect Midlands in the East Midlands is similar to the vertical cluster dimensions identified by Bathelt *et al* (2003) where a range of different but complementary firms are interlinked and bound together through their unique specialisms. The myriad of connections suggests Eddie Drake has successfully drawn on a stock of localized capabilities that are territorially embedded in the locale produced by the co-location of finance agents with complementary stocks of knowledge, to secure certain outcomes such as entrepreneurs on the Invored course receiving high quality mentoring. Whether entrepreneurs recognise this, or if it makes a difference to them securing finance is explored in chapter seven. These findings align with institutional approaches which argue that proximity and co-location of organisations and agents involved in complementary activities can afford successful associations and reciprocal arrangements. That said, it is important to acknowledge that these associations are not solely facilitated and underpinned by the institutional architectures, but also the shared norms and values that the East Midland finance community is predicated on that emphasise trust reciprocity and sharing knowledge.

5.3.2 Entrust

In contrast with Connect Midlands, during my interviews with North East finance agents, Entrust was regularly criticised for its failure to meet its remit, its general lack of effectiveness and the poor quality of advice and training given to entrepreneurs by substandard professional finance agents.

5.3.2.1 Poor Quality Advice

Seven professional finance agents felt that the quality of advice given to entrepreneurs at Entrust and the abilities of its staff were less than satisfactory. Business angel Cliff

Landles felt that the quality of advice Entrust provides is 'variable' and although Entrust claim to offer 'professional business advice' he said that

'...if you look at the experience and the background of the advisers, very few come from the private sector so you don't actually get a very good quality business plan because the individuals have never seen a good business plan themselves...'
(Cliff Landles)

Indications that public intermediaries and the quality of advice offered were seen as inferior to private organisations became a recurring narrative which may be symptomatic of the problems finance agents encountered when operating in a state managed 'problem region' (Hudson 1989, 2005). Marvin Evans, a fund manager at NEL, echoed Cliff; in his world view the better skilled and more competent finance agents work in the private sector because in the 'public sector the pay is not enough' these comments however, are surprising as Marvin fund manages public sector funds.

Howard Carter, another business angel, did not appear positive about the competencies of those employed at Entrust. He told me about a company that he nearly invested in but the 'business plan was written by Entrust and it was absolutely appalling'. He also felt that the 'quality of the people' that Entrust use 'tends to be very poor'. Although Miriam Stoppard did not directly criticise Entrust, she is suspicious of individuals with strong banking work histories or retired bank managers whose remit is to coach entrepreneurs. Although she does 'not dispute for one moment' that such agents would not provide thorough and sensible comments she feels that they

'...are not going to inspire, motivate and invigorate... nor I believe are they going to encourage and foster the ambitions of an entrepreneur... they are more likely to box it in and control it...' (Miriam Stoppard)

Miriam felt that a retired bank manager is 'not the most suitable person' to sit down with an entrepreneur who is taking a risk because 'their vision of the world and what they think is appropriate is different from what the entrepreneur is trying to do'. This

opinion implies that entrepreneurs and venture capitalists embody the social relations of money and equity in different ways and operate in different money cultures.

Two finance agents directly criticised Entrust regarding its investment readiness schemes for not teaching the right information to entrepreneurs seeking equity.

Marcus Hunter a fund manager NStar felt that although

'...there has been a lot of work done regionally about investor readinessa lot of money has been wasted regionally in terms of it' (Marcus Hunter)

Quite subtly Marcus appears to undermine the strategies and values he feels are emphasised in Entrusts investment readiness programmes. He told me that there is a 'belief that a good business plan is key' which clashes with his opinion that 'having a strong management team is the key' and also aligns with my previous findings (Wray, 2003). This led him to suggest that

'...investment readiness work would be better spent on educating people on the benefits of equity finance and a strong, balanced management team as opposed to your business plan has got to have an introduction, its got to have an executive summary...' (Marcus Hunter).

A further indication that the professional finance community embodied dissimilar financial knowledges came from Aaron Lawrence, a business angel and technology transfer consultant at Newcastle University. Despite hosting one of two seminars Entrust ran on equity financing at Newcastle University, Aaron admitted to me that 'if Henry Potter was here he would kill me because these sorts of investor readiness stuff ... I don't really buy it'. These sentiments suggest that Entrust's investor readiness schemes are not seen to be compatible with the expectations and values of other regional finance agents and are symptomatic of the multiple money cultures that characterise the North East finance community. The multiple money cultures hinder a shared social atmosphere and leads me to suggest that North East finance agents could not be seen to operate in a community of practice (Wenger 1998).

5.3.2.2 An Absence of Vertical or Horizontal Linkages

My research found no examples of any formal sub contracting arrangements, traded interdependencies or patterns of coalition between Entrust and other local organisations within the financial landscape. This suggests that Entrust is not connected with the rest of the socio-institutional setting and instead appeared to operate in isolation. Unlike at Connect Midlands, all investment training for local entrepreneurs at Entrust was done in-house though it is not known whether Entrust has tried to recruit local or even non local finance agents to provide mentoring. The institutional thinness of the North East alongside the lack of a shared common purpose and the multiple opposing financial knowledges within the finance community may make it difficult for Entrust to reach out and involve other local finance agents.

Unlike Connect Midlands, I did not interpret Entrust to act as a key node within the finance community or act as a node of representation, interaction and coherence which partly is attributable to the different regional contexts in which these two organisations operate. The North East's rich supply of equity that is fairly equally distributed and managed by a range of local finance agents, which can only be invested within the standard administrative regional boundaries (Chapter 3 figure 3.6), I argue produces competition between the institutions to find local entrepreneurs in which they can invest thus negating local agents becoming bound together in a collective purpose. Given this competition between local fund managers, Entrust is limited in how effectively it could achieve such coherence. The fragmented and fractured nature of the regions institutional terrain may make it difficult for Entrust to draw on a stock of localised capabilities produced by the agents and organisations engaged in similar and complementary activities. Unlike Connect Midlands, Entrust does not appear to gain advantages from its close proximity to other firms and agents within the socio-institutional setting; this problematises institutional accounts that stress a relationship between proximity and successful associations.

5.3.3 Observations at Springboard Investment Events

My observations at Connect Midlands' investment suggest that firstly, the East Midlands finance community is characterised by high quality buzz, and secondly that it acts as a source of coherence that successfully meets its remit in drawing together local finance agents and entrepreneurs.

5.3.3.1 Professionally Organised

The organisation of Springboard was notable in its professionalism and the sense of occasion it evoked. All Springboard events took place in the corporate suites of local football clubs, namely Leicester's Walkers Stadium which added to the grandeur. The set up of the room in which entrepreneurs pitched their businesses mirrored those seen at BAFTA or other 'celebrity' award ceremonies. The circular tables where attendees sat had long white table cloths, adorned with Connect Midland pens and sparkling glass decanters of juice. Arguably the circular tables encouraged communication and from my own experiences made it difficult not to speak with fellow attendees, even if they were strangers. I noted regularly how groups of friends or colleagues would take advantage of these circular tables and sit engrossed in conversation, sometimes long after the entrepreneurs had finished presenting. In addition to the delegate lists that were circulated, all attendees wore name badges that explained which organisation they were from, another strategy employed by Connect Midlands to foster a sense of familiarity and transparency at the event.

At registration attendees were given colourful A4 files that included information on the nineteen sponsors of the event. Some of the sponsors of these events included the East Midlands Development Agency, local solicitors, and EMIN. Although benefits inevitably accrue for companies from sponsoring such an event, it is still testament to Connect's reputation that it can draw in companies to sponsor their events. The file included information and contact details of each entrepreneur presenting that day, and at the beginning of the folder a page on the achievements and aims of Connect Midlands.

When presenting, entrepreneurs stood on a podium, in front of a large screen where the power point presentations beamed, they spoke into microphones, and were doused in a spotlight. Technicians and sound engineers were always on hand though rarely needed, a sign of the professional and well organised nature of the event. At the side of the room all presenting entrepreneurs were provided with identical display boards to showcase information about their products, display their business plans and cards, or undertake demonstrations of their products to interested investors.

My observation was that the structure of the day was organised to encourage as much interaction between attendees as possible. Entrepreneurs would present in blocks and between each, a coffee break. After the final block of entrepreneurs, lunch was provided and more time was devoted to networking and moving around the entrepreneur's display boards.

5.3.3.2 Consistent Mass Attendance

A notable observation at these events was the considerable mass attendance, on average at least one hundred and fifty people at each event exemplifying how Connect Midlands was a source of coherence within the local finance community. Most notably at these events was the consistent attendance by key agents in the finance community. For example, Vince Bell from Catapult, Jack Oliver at EMIN, Hugh Mills from EMBA, Jonathan Lowe head of business investment at EMDA were always at the events. Inevitably there are a range of logics and purposes that underpin this consistent mass attendance, some of which are likely to be more individualistic than others, although such high rates of attendance are not surprising given the myriad of linkages that local finance agents in the socio-institutional setting have with Connect Midlands. Jack Oliver told me that the 'invisible investors' he 'sneaks in' to these investment events and who have been to similar events in Cambridge and London 'are very impressed with the quality, process and professionalism of the event' which suggests that Springboard events are seen to act in similar ways to events held in the more economically dynamic parts of the country.

5.3.3.3. Active Networking

I argue that it was important for local finance agents to attend these conferences due to the benefits and opportunities that were generated for the agents by just 'being there' (Gertler 1995). During the coffee breaks and lunches I observed finance agents immersed in different modes of communication that ranged from chatting and gossiping to more in-depth discussions and arranging future meetings. I argue that the co-location of local finance agents, their visibility and face to face interaction produced lots of information, knowledge and inspiration that was combined and recombined. The buzz generated at these events was also evident by the way in which breaks were often characterised by high noise levels which sometimes required a couple of good humoured pleas for silence to start the next set of entrepreneur presentations. After the formal presentations and lunch I did not observe an obvious dip in attendance which suggests agents were willing or needed to stay at the events to be in the know. Although impossible to validate fully, the Springboard events appeared to be a key event in the finance community's calendar. The events were vibrant and generated a potent atmosphere via the numerous interactions, noise and 'buzz' amongst its attendants.

5.3.3.4. Guest Comperes

At Springboard Eddie Drake never spoke publicly but **always** attended, welcoming people and forging introductions between agents. Interestingly David Calvert the Development Manager at Connect Midlands, who is more senior than Eddie Drake, always introduced the day and its format. He used this as an opportunity to emphasise how Connect Midlands had 'raised twenty million plus pounds of equity' (July 2005) since the scheme began, as well as emphasising that himself, the Invored staff or the entrepreneurs were in 'no rush to get home' to encourage interaction and admittedly investment. At the end of the formal presentations David emphasised the need for audience members to fill in the feedback assessment forms of each presentation supplied in our registration files. This was so both Invored and the firms presenting could learn, react to, and make improvements to their presentations, though if the feedback made any difference to the entrepreneurs or if indeed they received it is

unknown. The seeming sincerity of David's speeches suggest that Springboard is taken seriously by the more senior members of Connect though of course it may be a strategic opportunity to advertise Connect's achievements to try and recruit mentors and members.

Each batch of entrepreneur presentations were introduced by either mentors on the Invored course or members of the Connect network, a reflection of the reciprocal and mutual arrangements between the finance community. During my observations I watched both Jack Oliver and Vince Bell introduce and chair different sessions. While introducing each of the entrepreneurs they appeared enthusiastic and positive about the event. Moreover they appeared to have a familiarity and knowledge of many of the businesses that were presenting as I suspect they had previously come across the entrepreneurs through their role in the Invored course. Overall this familiarity appeared to create a supportive, enthusiastic and familiar environment in which entrepreneurs could pitch their investment, even if not all of the attendees were there to make investments and had other motives.

In short, Springboard acted as a space where agents could co-locate and be visible to one another. It meant that finance agents were continuously contributing to, combining and exchanging information, gossip and news, plus the opportunity to see new local investment opportunities. The dense landscape of interaction and the buzz of just being there for the finance agents was clearly considered to be of value and importance by the finance agents.

5.3.4 Observations at Entrusts Investor Forums

My observations at Entrust's Investor Forums suggested that North East finance agents operate in isolation from each other, do not share a common purpose and that the North East finance community does not constitute a community of practice. Investor Forums were most notable for their sparse attendance and the absence of buzz among its attendees.

5.3.4.1 Less Professional

In terms of the set up and organisation, Investor Forums were a much smaller and arguably less professional affair than their Springboard counterpart. In part this is because Investor Forums had only one sponsor per event and were free to attend, unlike Springboard which cost £110 + VAT. The room in which entrepreneurs pitched their ideas was normally a meeting room of local solicitors with no microphones, spotlights or podia. Rows of chairs made it easy for all agents to sit in isolation, which I often did and observed others doing too, thus hindering communication. Although throughout the duration of my fieldwork Entrust started to produce a paper folder that advertised their services and details of the presenting entrepreneurs, it was not to the professional standard of Connect Midlands. Only once was there a form disseminated on which attendees could provide feedback about the presenters. Coincidentally this appeared after I had suggested to an Entrust staff member at the previous Investor Forum that it may be useful for entrepreneurs to get feedback from investors on their presentations. The request to fill in the feedback form was made by one of the young female administration staff, who spoke only when invited to do so by Henry Potter. Henry Potter, unlike David Calvert, did not appear to believe in the cause for the feedback form, which I argue may be underpinned by the way I see Entrust and Henry Potter to be embedded in a set of trained incapacities (Schoenberger 1997) who may be unwilling or unable to react to new ways of conducting the format of the Investor Forums.

Unlike Springboard which started at 9.30am, Investor Forums started at 6pm and may have been a barrier or disincentive to some people attending. There were no coffee breaks between presentations to encourage interaction, though this may be attributable to the fact that there were less businesses presenting than at Springboard. A buffet was supplied at the end of the presentations at about 7-7.30pm. Quite often I would notice a dip in attendance after the presentations which I suspect is partly due to how the event spanned dinner time and reinforced the sparse ecology of interaction I observed at these events.

5.3.4.2 Sparse Attendance

Suspensions of a fractious community that operated in separate money cultures was reinforced by the overall sparse attendance at Investor Forums, even taking into account the smallness of the regional population. Quite often staff from Entrust nearly outweighed non Entrust finance agents. Most notable at these events was the regular absence of other local fund managers from NStar, Codeworks, NEL or UK Steel Enterprise. That said, a core group of business angels regularly attended. Out of the ten investment events I attended I never saw an agent from UK Steel Enterprise, and only once an agent from Codeworks and NStar. I saw an NEL representative three times. When attending an Investors Forum held at a solicitor's office four floors above NStar's offices none of their agents attended. Although there may be good reasons for this, the physical proximity yet absence of their agents does not suggest a mutually supportive or reciprocal culture or that physical proximity produced successful associations or cooperation.

A number of interrelated reasons may underpin the sparse attendance or complete absence of key agents. Firstly, the smallness of the finance community may mean that fund managers have met these entrepreneurs through other channels, though as far as I am aware Entrust is the only organisation in the North East charged with bringing investors and entrepreneurs together. Secondly, the financial architecture means that the fund managers are in competition with each other and therefore tended to operate in isolation as well as in separate money cultures that negate a shared social atmosphere. Thirdly, and related to the previous point, it may be that finance agents do not feel that they reap any benefits or advantages merely from 'just being there' (Gertler 1995) at the investor events, and do not see investor forums as a space to diffuse, circulate and access news information and gossip unlike the Springboard events. Fourthly, the lack of attendance could reflect how Entrust is not seen as a credible organisation or to act in ways compatible with other local finance agents due to the substandard advice it offers local entrepreneurs. Daniel Simms a corporate finance adviser and regular attendee at Investors Forums felt that Entrust is not a particularly successful vehicle at bringing entrepreneurs and investors together,

'... there isn't one forum that say on a quarterly basis you can pitch up at and you know that if you are someone with an idea you know there is going to be some professional advisers there, there will be some bankers, there will be some venture capitalists and non execs, there is not one forum, now arguably Entrust would say that is what they are trying to do develop but it's a long way off...' (Daniel Simms)

When I asked why it was a long way off Daniel explained that to develop an event like he described requires 'two or three people full time' and is not something that can be done on a 'piecemeal basis'.

5.3.4.3. Mistakes

Other contrasts with Springboard were the absence of guest comperes, arguably a symptom of Entrusts isolation within the finance network. Henry Potter introduced all the entrepreneurs, but regularly made a number of mistakes either about the name of the company, what it does or who was presenting. These persistent mistakes lead me to question if a relationship of familiarity or closeness had been fostered with the entrepreneur, plus how involved was Henry Potter in coaching the entrepreneurs, if indeed the entrepreneur had been coached.

In sum, then, Entrusts Investor Forums exemplified the way in which North East finance agents operate in separate money cultures and are isolated from each other. Although the set up of Investor Forums may have hindered interaction and blocked the diffusion of knowledge, the lack of attendance made for a sparse ecology of interaction and an atmosphere at these events devoid of buzz. To what extent the sparse attendance and lack lustre atmosphere is entirely attributable to the shortcomings of Entrust is difficult to validate. Given the way I interpreted finance agents to embody individualistic rather than collective endeavours, admittedly underpinned by the competitive financial terrain in which they operate, I would argue that any intermediary could have difficulty in drawing together the finance community to attend such an event.

5.3.5 Mobilising Collective Sentiments

A high quality buzz and collective endeavour amongst finance agents in the East Midlands was not just confined to the Springboard events. On the weekend of February 26th and 27th 2005, a New Life New Business Road show was held at Donnington Race Course, Derby. Organised by the East Midlands Development Agency (EMDA) the event was for members of the public thinking about setting up a new business and how to take the steps needed into self employment. The intended outcome of the event was to ensure that budding and existing entrepreneurs could interact with all the regional sources of business support and access to finance agencies under one roof. During the event there were 'clinics' to speak to local entrepreneurs plus celebrity entrepreneurs, such as Simon Woodruffe founder of Yo Sushi, presenting in temporary lecture theatres. Other guest speakers covering different aspects of business development such as marketing, accounting and cash flow also presented. Over the two days attendance was estimated to be between about five to seven thousand people estimated by one of the event marshals.

At the event and with their own stand, I saw Vince Bell and his business partner from Catapult, plus Eddie Drake and his colleague Laura Conway from Connect Midlands. Bill Lambert representing Leicester University technology transfer office, two other corporate financiers, and small grant providers were also present. Although these finance agents may have been required to attend and no doubt the event was a good opportunity to generate new business, of those that I spoke to within the finance community (Eddie, Vince and Bill) they appeared willing and enthusiastic to be there despite working beyond normal office hours. This observation reinforces my suspicion of a shared collective endeavour that characterises the East Midland finance community and constitutes it as a community of practice that can be mobilised to produce collective representation at this event. How successful this event was from an entrepreneurs view would need to be researched.

The ability of EMDA to draw on the localised capabilities of the local finance community to attend the New Business New Life event was in stark contrast to my findings in the North East. The lack of reciprocal arrangements between North East finance agents and institutions proved difficult to achieve certain outcomes. A lack of

coordination amongst the institutional network was clear when Brian Coulson, president of the Business Investors Group (BIG), tried to put on a regional funding road show to inform the SME market 'who is doing what' in terms of access to funding. At the time of interview (February 2005) Brian told me that

'...nearly twelve months ago I spoke to One North East, NEL, Entrust, NStar all of the major connectors that were trying to improve the access to finance route...'
(Brian Coulson)

Although Brian told me that 'they all wanted to cooperate' twelve months on these sentiments had not been mobilised into practice. In Brian's opinion this was because it is undecided who should pay for the event. Brian feels that 'ONE should take the lead' but

'...we are still waiting for ONE to get themselves in gear because they want Business Link to pay for it ...these are the types of problems you have...' (Brian Coulson)

Admittedly this is only one perspective and no other finance agents I interviewed mentioned a funding road show. It is useful to consider why, despite an apparent desire by the regional finance agents to engage in a collective endeavour, it could not be mobilised. A number of reasons could underpin this. Firstly finance agents could be seen to be embedded in a process of 'trained incapacities' (Schoenberger 1997) where agents are so deeply entrenched in a certain way of behaving, that despite knowing they need to respond to certain conditions are unable or unwilling to introduce strategies to do this. Related is the idea of institutional lock-in (Hudson 2005, Martin and Sunley 2006). Here certain institutions become locked into a development trajectory and due to their history makes it difficult for them to react and change quickly to changing conditions or requirements within the locality and embrace other more advantageous development trajectories. The rules attached to the way in which funding allocated to the regional organisations can be spent may create inflexibility and constrain the autonomy of local agencies to react to changing conditions or to fill gaps in knowledge. This could reflect the difficulties encountered

when operating in problem and state managed regions locked into dependent models of development (Amin 1998, Hudson 2005).

5.4 Interrelations Beyond the Intermediaries

This section will examine if other sets of communication linkages and interdependencies exist elsewhere within each regional finance community to provide a fuller picture of the local ecology of interaction.

5.4.1 Interrelations within the East Midlands

Although my research found no sets of traded interdependencies or contractual arrangements between East Midland finance agents away from Connect Midlands there was a plethora of positive and supportive sentiments directed towards the capabilities and achievements of other regional finance agents and organisations involved with supporting local entrepreneurs. The dense ecology of interaction that existed between these agents suggests they are bound together by a corpus of untraded interdependencies and weak ties and indicating that local agents feel that they benefit from each others co-presence and expertise. References to competition, conflict and individualism were only significant in terms of their absence though such sentiments could be hidden behind a veneer of professionalism.

Bill Lambert told me that one of the benefits belonging to the EMIN network ran by Jack Oliver meant he is able to share best practice with other technology transfer offices. Bill 'is on various committees of EMIN' which he thinks is 'an extremely effective organisation'. He felt that Jack Oliver 'does a lot to try and develop EMIN as a support mechanism' for local graduate entrepreneurs and therefore has much 'respect' for Jack.

Bill was positive about the achievements of BioCity too: a 'fantastic place' that as far as Bill is aware of 'is the only thing in the East Midlands that stands alongside potentially similar sorts of clusters in Cambridge or Oxford'. Demonstrating his familiarity to BioCity Bill mentioned that Liam was at his office the previous

afternoon. This scenario was repeated a number of times throughout my research: I often interviewed key agents who were off to see another key agent such as Bill Lambert, Eddie Drake, Jack Oliver or Vince Bell, that I had interviewed either that afternoon or had seen the previous day or the next. This insight into the everyday ecology of interaction and weak ties amongst the finance agents supports my opinions that the finance community is characterised by considerable amounts of inter-firm communication.

Eddie Drake told me how he 'is often at BioCity', and seemed quick to tell me that Liam Perry 'is a really good guy no question about it, I really like him a lot'. Further signs of mutual support was evident when Eddie Drake attended the BioCentral investor's day that Liam Perry hosted at BioCity. While at the event, Eddie told me how 'fantastic' the event was and how unusual it was to hear such technical presentations. I interpreted from Eddie's sentiments that he perceived the event to complement rather than compete with Springboard. Admittedly Liam Perry told me that BioCentral was a response to the 'broad generalist investors' that attend Connect 'who don't understand what biotech firms are talking about' and that 'the whole point of the event was to gather specialist investors together' (Liam Perry). BioCity has started to host technology business angel dinners to remedy the lack of exposure biotech firms had to specialist investors, another way in which East Midland finance agents are able react to gaps in provision.

Four of the twelve finance agents I interviewed in the East Midlands made it clear that they wanted to improve the local institutional terrain to increase the chances of local entrepreneurs securing finance, though inevitably there will be some individualistic motivations at work. All of these aspirations were being proposed to EMDA. Eddie Drake and Liam Perry were eager to create a proof of concept fund for the region. Eddie Drake told me that he 'had spoken to EMDA a couple of times' about this and plans were in the 'pipeline'. Liam Perry appeared frustrated with EMDA for donating an extra three million pounds into the Lachesis fund rather than being used for proof of concept funding. In Liam's opinion 'by dishing out fifty thousand here and there' to new business start ups 'goes a long way'.

Elsewhere, Jack Oliver was striving to 'engineer' a new programme of formula funding to ensure that EMIN could continue. Admittedly without the next round of funding Jack could lose his job but his ambition and confidence was admirable in my opinion:

'...My pitch is to say to EMDA next week you pay for that lot, let HEFC² pay for that lot, and then we have got a sustainable business. You only need to do it for two years by which time I will have turned it in to a commercially viable business. That's the plan...' (Jack Oliver)

Bill Lambert told me about his proposal to EMDA to fund the BioBater which are hatcheries for emerging businesses in 'hotspot' university departments to create a 'logical lifecycle of support facilities' for new businesses. Once the businesses have 'hatched' Bill said they would eventually move to BioCity or Leicester Science park again emphasising the reciprocal sentiments to other local organisations.

This evidence suggests a set of reflexive and ambitious agents who are able to recognise gaps in provision and offer solutions to this. Despite some of the individual logics these findings indicate a finance community committed to creating a systematic and supportive environment to nurture local entrepreneurs and new companies.

5.4.2 Interrelations Within the North East Finance Community

In contrast with the East Midlands during my interviews with North East finance agents I found only one set of traded interdependencies. I was also struck by the negative, disparaging and undermining comments made about the capabilities of other organisations and agents. One narrative that repeatedly emerged during my interviews was the argument that other local agents had their 'own agendas' which hindered cooperation amongst the community members.

² Higher Education Funding Council for England

5.4.2.1 Own Agendas

Five out of the twelve finance agents perceived that other actors in the finance community had their own motivations and agendas to fill. Howard Carter, a business angel, summed up the general attitude when he said that within the North East finance community and business support sector there are

'...far too many people running their own agendas and their agendas have very little overlap, they are generally just there to prolong their own existence...'
(Howard Carter).

These sentiments were reinforced by Brian Coulson, who occupied a senior position of BIG who feels 'you have got everyone trying to achieve their own individual goal' within the finance community and that as a result 'everyone wants a slice of a very small cake and that doesn't work'. Henry Potter meanwhile felt that 'you are always going to get people of 'this is my territory keep off it and do your own thing' when he referred to the lack of interrelations between Entrust and NStar. Elsewhere in the finance community Henry felt 'people have got their own agendas ... they have got their own initiatives as to why they are driving them'. Business angel Damon West felt it was difficult to cooperate with Newcastle University in particular because they have 'too many hidden agendas' and 'everybody is tending to their own garden'.

5.4.2.2 Ticking Boxes

A perception voiced from the business angels, was that public organisations were only interested in 'ticking boxes and filling a quota' (Brian Coulson) set by the government or ONE rather than fostering firm growth and quality investments. The paucity of 'proper constructive support' (Brian Coulson) was seen to compromise the quality of investment proposals that the business angels saw.

'...so if an entrepreneur comes up with an idea that is actually a load of rubbish they (the public support agencies) don't tell them and still engage them so that the organisations can fulfil their own agenda... whether it works they are not bothered about'(Howard Carter)

Admittedly these comments come from three business angels who I suspect may be opposed to public intervention which may account for such negative attitudes. The public intervention within the North East, however, seems to make finance agents suspicious and untrusting of one another although the investment context may necessitate such a competitive and misgiving culture in order for agents to survive and prolong their own jobs. The comments just alluded to provide insights into the problems associated with doing business in declining and state managed regions.

5.4.3.3. Inability or Unwillingness to Cooperate

With strong indications of a hostile and fractious community in the North East it was unsurprising that there were few instances of reciprocal arrangements between members and institutions. One example of non cooperation was between NStar and Entrust which between them manage three equity funds totalling £35.5 million pounds.

Henry Potter told me that since the introduction of the proof of concept fund in 2003 managed by NStar it was important that 'second and third round funding streams are lined up pretty quickly' for a smooth and continuous transition to onward finance. At the time of interview (March 2005) Henry was 'unsure if that was being done'. Although this could imply that Henry was not up to date, Henry felt he was unable to cooperate with NStar to enable this process of second and third round funding schemes to happen so I was keen to enquire about the nature of the relationship between Entrust and NStar.

FW: So are you not working or trying to collaborate with NStar to get that done and realised?

BM; yeah we are and it's proving hard work at the minute

FW: yeah why? That's a shame...

BM: yeah it is, you see we want to put people through an official investor readiness programme who go through the Proof of Concept fund ermbut you know there is some feeling that NStar are closely guarding what they have got and they don't necessarily want to collaborate with outside people

FW: Why is that then?

BM: I think that its hard to judge, I think they have got other agendas there because they have got public money going in there for three years, what they have got to try and do is set up a commercial enterprise that generates income for them on a commercial basis and they are starting to do that now I think ...'

This response hints at the broader institutional and governmental constraints that influence NStar's strategies. They appear to have other logics aside from providing equity such as keeping their jobs and creating a viable and sustainable business which could explain why Henry sees their 'agenda' as individualistic. This opinion was mirrored by Aaron Lawrence who also felt that NStar are 'easing back' from making high risk investments and instead 'becoming a vehicle more for themselves rather than a vehicle for finance'.

Simultaneously Henry at Entrust, like NStar, manages a co-investment fund which arguably fuels competition between the two institutions. This could act as a disincentive to collaborate and reinforce a competitive and individualistic finance community. Arguably compounding their isolation from each other are the separate money cultures finance agents operate in. Marcus Hunter's perception that the investor readiness scheme is not particularly credible may explain why NStar appear reluctant to enter into any form of strategic alliance. That said, Henry Potter labelled NStar's decision making process of who receives proof of concept funding as 'slow and cumbersome' which Henry felt was a 'disgrace' given that NStar 'have got so much money they are sitting on'. These opposing and less than complimentary opinions about each other's strategies may hinder any chances of collaboration.

NStar admittedly came under criticism from four other North East finance agents for their effectiveness and mechanisms they use to value companies applying for proof of concept money. Only Dean Francis at RTC applauded NStar as 'good for fresh thinking and new ideas' but 'are not really connected to the local finance community and don't really make any connections to local corporate financiers'. This suggests few coalitions between NStar and the other regional agencies and goes part way to reinforcing my suspicions that institutions tend to operate in isolation. It may also suggest that NStar is more embedded in non local networks which can be explored in the next chapter.

Since the collection of my empirical results, instigated by One North East (ONE) the North East's regional development agency, the tender to run Investor Forums was advertised. Perhaps unsurprisingly Entrust and NStar applied separately to run this. In June 2006 I showed two Entrust agents a selection of my empirical results and at the end of the meeting they asked me if I would not show these to NStar until after the tender application deadline. They admitted this was to ensure that they could gain an advantage in the tender from using my results.

Finally, the formal business angel network in the North East was also seen not to meet their remit. They were regularly criticised mainly in terms of their inactivity by fellow North East finance agents in a wealth of off the record comments. In Daniel Simms's opinion BIG seems 'reasonably fragmented, don't really seem to do many deals' while Henry Potter perceived BIG to be 'quite an ineffective business angel syndicate' though this opinion may be influenced by the co-investment fund that Henry manages which can only be mobilised alongside a private investor. Aaron Lawrence, an ex member of BIG, thought that he was 'the only one at one point' making any deals. This opinion can be validated by Cliff Landles who admitted that at the time of interview (February, 2005) BIG had conducted only one investment in the last eighteen months. Aaron Lawrence mentioned the large number of people in the business angel network 'who aren't really business angels, they are just kind of after some work really'. He went on to tell me that when he sat down and spoke to the angels about 'real business ventures ...clearly they actually didn't have any money to invest' and instead want to generate 'fees from writing the business plan versus actual investments' (Aaron Lawrence). This suggests that the profiles and skills of business

angels in the North East align more with merchant venture capitalists experienced in deal crafting rather than classic venture capitalists who are interested in new business formation (Mason and Harrison 2002). Whether local entrepreneurs had the same opinion or observed the business angels acting in similar ways to their professional counterparts will be explored in Chapter seven.

5.4.3.4 *One Collaborative Sentiment*

I found only one example of a traded interdependency in the North East. Based in Teesside Luke Wardle a fund manager at UK Steel Enterprise, organised a formal subcontracting arrangement with RTC to carry out vital market research on behalf of his entrepreneurs. Market research is a key requirement that investors require in a business plan but is often too expensive or difficult for entrepreneurs to acquire (Wray 2003). Luke explained his justification underpinning his decision to provide tailored and subsidised market research

'...I would much rather pay out a few hundred quid per client and have them have all of that expertise ...rather than them saying oh its just too difficult to do... we will just guess or bumble through...' (Luke Wardle).

Although I did not speak to any of the entrepreneurs who received this market research this arrangement aims to benefit entrepreneurs by improving their chances of securing equity. I suspect that this scheme is unlikely to be rolled out across the region because both organisations are relatively small and experience a more peripheral role in the North East finance network. Furthermore, RTC were criticised by three finance agents for producing poor quality and ineffective outputs including the opinion that their market research is 'no use to man nor beast' (Howard Carter).

5.5 Conclusion

The aim of this chapter has been to take concepts and concerns normally applied to industrial and hi-tech agglomerations and apply them to finance communities in the East Midlands and North East of England to understand better the dynamics and

practices that underpin them. Each regional finance community operated in different ways in terms of their different ecologies of interactions, their norms and values and the degree of thickness in each set of institutional architectures.

The dynamics and behaviours that I observed in the East Midland finance community were similar to those found in successful agglomerations. Firstly, the community was characterised by a high quality local buzz and agents seemed to benefit by just being within the local community. East Midland finance agents were bound together through a variety of linkages, interdependencies and weak ties generating a dense ecology of interaction and communication. The combination of reciprocal arrangements, mutual respect towards other members of the local finance community and a willingness to share and circulate expertise and knowledge produced a set of localised capabilities embedded within the locale that were regularly drawn on to secure certain outcomes. The shared common purpose, similar financial knowledges and money cultures, embodied by the local finance agents suggests that the East Midlands finance community could be conceptualised as operating in a harmonious and collegial Community of Practice. My findings in the East Midland finance community therefore reinforce traditional approaches which suggest that spatial proximity and territoriality accrue certain advantages such as producing close and familiar associations which can promote growth and local economic development.

My findings in the North East finance community have allowed me to problematize institutional approaches to regional knowledge and learning that assume agents and organisations involved in similar or complimentary activities within a particular locale are connected. They have also allowed me to problematize the assumption in these literatures that spatial proximity between similar agents produces successful associations and alliances or that agents benefit from each others co-location by producing a stock of localised capabilities that local agents can draw on to secure certain outcomes. Within the North East local proximity is not associated with closeness, familiarity, interaction or collaboration but rather isolation, disconnection and fragmentation. Despite their physical proximity finance agents appeared to embody dissimilar or opposing financial knowledges and hence operated in separate money cultures. North East finance agents did not foster a shared common purpose or were bound together in a collective endeavour which produced a very sparse ecology

of interaction. North East finance agents could not be conceptualised as operating in community of practice. Whether finance agents belonged to non local investor networks or communities of practice that stretch beyond the region will be explored in the next chapter.

The different historical industrial and socio-economic contexts of each region in which these professional finance agents are operating is likely to have shaped my findings. The state managed institutional architecture of the North East region appeared to constrain and hinder some finance agents securing desired outcomes. For example, Henry Potter was unable to achieve coherence within the finance community and draw agents to attend Investor Forums, and Brian Coulson was unable to organise the funding road show. In both these and numerous other instances the institutional and financial architecture of the North East seemed to fuel the competitiveness and individualism that I observed amongst local finance agents. Meanwhile, the East Midlands finance community appeared to operate within a more enabling and thicker institutional architecture. This allowed agents to realise intended outcomes, react to change or gaps in provision and enable Connect Midlands to provide coherence within the community.

An actor level explanation is also useful to understand better the different dynamics that I uncovered in each finance community. Here I refer to the dissimilar work histories and biographies of the different professional finance communities.

In the North East the professional finance agents charged with training entrepreneurs to be investment ready were not considered to have the most appropriate skills and qualities to advise local entrepreneurs. This was due to their work histories in either commercial banking or as re-deployed ex-public sector employees rather than as successful entrepreneurs. Consequently, they were perceived to offer substandard advice and training and therefore were seen to mislead and misinform local entrepreneurs in terms of the financial knowledges they embodied. Conversely, agents in the East Midlands professional finance community, particularly those that Eddie Drake recruited to mentor onto the Invored programme, were of a high calibre, suitably qualified and had experience in fostering local entrepreneurs. This was because the mentors had work histories that included running their own businesses,

being venture capitalists or were involved with incubator units. Consequently these finance agents were seen to have the right skills and expertise to equip local entrepreneurs with financial knowledge compatible with investors. The reflexive capabilities I observed in a number of East Midland professional finance agents fuelled the dense ecology of interaction and vibrancy within the local finance community. The ability of agents like Eddie Drake and Liam Perry to identify, react to and fill gaps in knowledge and provision by hosting special training sessions for 'virgin investors' or specialist investment events added to the circulation of knowledge, expertise and buzz within the finance community. Furthermore, the ambitions shown by at least four agents to try and secure proof of concept funds, create or sustain existing incubation units in the East Midlands indicates that finance agents do not operate in narrowly defined spaces as they strive to support and promote entrepreneurship in the East Midlands. In the North East, however, some finance agents appeared to be embedded in a process of trained incapacities or were cognitively locked into certain ways of behaving which meant that they were unable or unwilling to react to gaps in knowledge, provision or demand. This could be seen in the recognition that substandard agents were coaching local entrepreneurs to be investment ready or the lack of value attached to feedback forms at Investor Forums. The trained incapacities that some North East finance agents appeared to embody, alongside the desire to only tick boxes and prolong jobs rather than necessarily promote entrepreneurship or collaboration, I argue compounds the sparse ecology of interaction and absence of buzz I observed in the North East finance community.

The findings in this chapter highlights how the combination of agents, institutional and financial architectures produce distinct socio-economic configurations across space which influence the quality of interactions and degree of collaboration and cooperation.

To what extent the different dynamics that underpinned each of the two finance communities make a difference to the ability of local entrepreneurs to secure equity, become investment ready or navigate the local financial landscape will be investigated in chapter seven.

Relational Complementarities, Organisational Proximity and Non Local Connections in the East Midlands and North East Finance Communities.

6.1 Introduction

In the last chapter I analysed the ecology of interaction and communication amongst local finance agents in each regional finance community. Examining the different types of interrelations amongst local agents and drawing on concepts of traded and un-traded interdependencies, local buzz and weak ties allowed me to uncover the common standards of behaviour and norms that characterised each finance community. The above foray was accompanied by a consideration of how the underlying institutional conditions in each locality influenced the practices and behaviours I observed.

The aim of this chapter is to extend the theme of connectivity. But, by drawing on literature from the recent 'relational turn' in economic geography and concepts like relational complementarity (Yeung, 2005) and organisational proximity (Amin and Cohendet, 2004), I adopt a different perspective to the previous chapter where the emphasis was on proximity and local interaction. Here in this chapter, I will focus on examining the non local connections (linkages that extend beyond the standard regional administrative boundaries) that each local finance community has and the way in which said contacts are forged and maintained. This way I partly readdress Yeung's (2005) criticism that there is a lack of consideration of the ways in which non local connections and flows can shape local economic change.

Exploring the connections each regional finance has to non local investor networks stretched across space provides an alternative approach to analysing the venture capital industry which so far has tended to be subject to more territorial analyses. Exploring any sets of relational complementarities, cognitive similarities and relational proximity between distant finance agents is useful to empirically ground ideas that it is possible to be familiar, near and close with physically distant agents or indeed for agents to be disconnected and isolated from proximate actors and institutional networks (Allen, 2006). Finally, by examining the amount of non local connections I will be able to use the findings to construct a relational geometry of each finance community and compare their 'relational advantage' (Yeung, 2005) by which I mean speculating about how beneficial the sets of non local relations are to the finance community to produce economic change or secure certain outcomes.

Linking to a further research concern, I am also keen to examine the ways in which embodied financial knowledge is moved and circulated across and within monetary networks, which so far has been under studied within the geographies of money and finance literature. Uncovering the micro-spaces of interactions between physically distant agents, alongside the strategies finance agents employ to keep current I argue reveals the *mechanisms* by which financial knowledge is moved and circulated within and across monetary networks. The concepts of organisational proximity and relational complementarity are useful to account for an uneven and asymmetrical landscape of financial knowledge because they explain how physically distant finance agents are still able to embody and share similar financial knowledge in relational spaces.

The structure of this chapter is in three parts. Firstly, I start by presenting my empirical findings on how important each of the regional finance agents felt it was to have non local connections and the reasons why. This is accompanied by a summary of the strategies employed by agents to both forge and maintain their non local links in order to stay current and up to date thus revealing the mechanisms by which financial knowledge flows. Secondly, I explore the porosity of each finance community, by which I mean exploring how easy it is for people, knowledge and money to flow into, and through. I also explore how, if at all, finance agents consider

the investor networks in London, Cambridge and Oxford to reach up, cross cut and overlap with their own investor networks. In the final part of this chapter, based on my interview material in sections one and two about actual connections, I introduce each professional finance community's relational geometries. Such geometries provide a momentary and schematic slice through each regional finance community to illustrate the sets of local and non local connections which serves to indicate the relative porosity of each finance community. This will allow me to speculate about and compare the relational advantage of each regional finance community.

6.2 The Importance of Being Connected?

During my research I asked all agents in each region if they felt it was important to be part of networks that stretch beyond the region. Table 6.1 suggests that while there was a consensus amongst all the East Midland finance agents that it was important to have non local connections, there was more variation amongst the responses I received from North East finance agents. Here, a third of agents felt it was not important and only a quarter of finance agents felt it was important to have non local contacts.

Table 6.1 How Important are Non Local Connections?

	East Midlands	North East
Yes it is important	12	3
Yes, but unable/unwilling to elaborate	0	5
Not important	0	4

Of those agents across both regions that thought it *was* important to belong to non local networks the reasons stated are outlined in Table 6.2. Within the East Midlands some agents stated more than one reason so the numbers in the table reflect this.

Table 6.2 Reasons for Non Local Connections

	East Midlands	North East
Access to funds	7	1
Branding	2	0
Share best practice	3	0
Access investment opportunities	5	1
Stimulating career	0	1

6.2.1 Access to Funds

The main reason finance agents in the East Midlands felt that it was important to have non local connections was due to the limited indigenous supplies of equity within the region. 'I don't think the East Midlands is particularly well served either for venture capital or business angels' (Bill Lambert) typified many of the finance agents responses. Clearly many East Midland finance agents felt they needed to be part of networks beyond the region to increase their chances of accessing and securing finance for their clients or entrepreneurs. 'I'm looking for money for three companies. I KNOW the chances of finding it in the East Midlands are remote ... therefore I have to go out of the region' said Blake Sherwood a business angel and mentor for Connect Midlands in the East Midlands. This was repeated by four other of the elites who explained that the lack of funds in the East Midlands necessitated the need for them to be part of networks beyond the region to secure finance. Given the sparse financial architecture of the East Midlands, (Figure 3.6) this response is not surprising and perhaps necessitates agents to engage non-locally.

Only one finance agent in the North East, corporate financier Shaun Farris, who has since left his job and the region, felt it was 'vital' for him to be part of networks beyond the region: in his world view 'a relatively small proportion of the UK's money is here in the North East'. Despite the financial architecture suggesting

otherwise (Figure 3.5), Shaun's perception that there is insufficient capital in the North East to fund all the businesses that need funding necessitates him to leave the region. Consequently he is 'very happy to take businesses to London' to secure finance. Shaun felt that his willingness to leave the region helped put the North East 'on the map' as it 'shows people that there IS quality up here and that we do know what we are talking about'. This apparent determination to convince City investors about the North East's investment opportunities could suggest that Shaun perceives the North East as peripheral or that London investors may perceive a different money culture or unattractive investments in the North East.

6.2.2 Branding

At Connect Midlands, Eddie Drake felt that it was important to be part of networks beyond the region because it enabled him to sell and advertise what his organisation does and 'develop the brand' (Eddie Drake). At the time of interview Connect Midlands was only eighteen months old and a relatively new entrant to the East Midland investment scene. For Eddie, belonging to non local networks allowed recognition of Connect Midland's capabilities and achievements, as well as acting as a channel to draw in non-local agents to attend Springboard and pass on feedback to entrepreneurs pitching their business ideas. Eddie recognised that 'when the networks work well the members all talk to each other' and this cements the brand even more. In contrast, Henry Potter, who occupies a similar position to Eddie Drake at Entrust and is charged with making entrepreneurs investment ready, felt that although 'we need to know what's going on ...and talk to other fund managers' he did not 'see any need to create formal links' with non local investor networks. The only exception to this was Yorkshire Fund managers which when prompted, explained they have 'reciprocal arrangements' with but offered no further elaboration.

6.2.3 Sharing Best Practice

Two finance agents in the East Midlands felt belonging to non local networks was important in order to access and be exposed to new ideas, new ways of working, and an

opportunity to share expertise and best practice. For example Gwendolen Pearl, at the Lachesis fund at Loughborough University, told me that she and her team...

'... have probably learnt more from going to their (UNICO) meetings than I do from anything else I go to. I mean we are not bad at technology transfer but there are other people who are much further down the line and you can learn from their mistakes...'

An equally reflexive response came from Eddie Drake who also felt that it was important to have networks beyond the region

'... Simply for the reason that you know there is an awful lot of people doing some really great things outside of the region and the way to learn about that is to go and network...'

I argue that these comments reinforce how some East Midland finance agents have the ability to recognise the limits of their own capabilities. They appear willing and able to go beyond the region to learn new ways of doing things and access financial knowledge, as well as recognising the tangible and intangible benefits that belonging to non local networks bring. Local finance agent's interaction with non local agents has the potential to develop sets of relational complementarities (Yeung 2005).

6.2.4 Value Addedness

Closely related to sharing best practice was a perception of the *value addedness* that having non local networks and contacts can generate. Jack Oliver, who amongst wearing many 'hats' is head of EMIN, recognised that what he does is 'I try and network people because I pass on information or opportunities to people' (Jack Oliver). Jack recognised that his 'personal database' is important enough for him to work on 'cos that's where EMIN gets it read added value'. As a result he generally 'knows a man who can', and gave two examples of ventures that have materialised from his ability to bring different agents together. Via Jack's non local connections relationality is constituted: his actions create potential opportunities for 'emergent power' (Yeung 2005) which have resulted in the 'power to' secure desired material outcomes. This

leads me to suspect that Jack is a key actor that contributes to the relational advantage of the East Midlands financial milieu.

6.2.5 Access to Investment Opportunities

Cliff Landles, a business angel from BIG who arrived in the North East two years ago from Middlesex, was the only business angel out of the four that I interviewed that felt it was important to be part of networks beyond the region. This was because it enabled Cliff to 'hear' about other investment opportunities through his link with the 'Oxfordshire business angel group'. That said, Cliff was 'not sure if all my colleagues (at BIG) agree with me' in having non local contacts, and suggests that other North East business angels tend to operate solely at the scale of the region. A possible reason for Cliff's attachment to Oxford's business angel network may be because he perceives there to be not enough (good?) investment opportunities in the North East, or that he has a pre-existing contact when he lived in London.

6.2.6 Leaving the North East Provides a Stimulating career

For Miriam Stoppard, an ex 3i venture capitalist and now chief executive of 'The Alchemists' which is committed to improving entrepreneurial activity in the North East, her connections to investor networks in London and the South East are 'absolutely central' to her business. This suggests that Miriam is relationally proximate to a number of professional finance agents in the City and operates similar money culture to them; for example the previous week Miriam had 'lunch with the Lord Mayors private secretary in the Mansion House and a meeting with a member of the Board of BP' on the same day. Although Miriam belonged to a spatially distanced network I wondered what her motives were and why she felt she needed to belong to them? Was it that local finance agents did not operate in similar money cultures to her thus making it difficult to intersect and do business with them? Did she feel it was more profitable? Did she feel she was able to help entrepreneurs raise their aspirations by belonging to such networks? Was this attachment a means to be able to stay up to date and current with financial knowledges produced in the core? Or, is it a combination of these reasons as to why the critical mass is central to her business? It later became apparent that one motive for Miriam's participation in non local

networks was that she felt the North East does not have what she needs for a 'stimulating and interesting career so you have to go and get some of that from outside the region'.

6.2.7 Keeping Current

During my interviews, if the finance agent *did* have non local contacts, I was keen to explore what, if any strategies and resources were employed to over come either the real or imagined physical distance to feel current and up to date. Similarly, by revealing the strategies agents employed to stay current also reveals some of the mechanisms by which financial knowledge is circulated and exchanged within and across monetary networks.

All my interviewees that had non local contacts consciously employed a variety of strategies to stay up to date and current although the motives varied. My research found that there were dissimilar tactics employed by East Midland and North East finance agents summarised below (Table 6.3), followed by a discussion on these strategies.

Table 6.3 Strategies Employed to Stay Current and up to Date

	East Midlands	North East
Deliberate membership to specialist networks	6	1
Attend non local investment events	6	0
Organise special events	3	0
Deliberate corporate strategies	2	2

† Please note that within the East Midlands some agents employed multiple strategies

6.2.7.1 *Deliberate membership to specialist networks*

For agents in the East Midlands, their membership of specialist networks was particularly skewed towards those in the Cambridge area. For example, Arthur Moyer a business angel in Derby was part of the Cambridge Society in Derbyshire while Bill Lambert remained on the committee of the Cambridge DTI Smart Club 'deliberately' to keep up to date with investment and innovation news and people in Cambridge. He was also a member of the Cambridge network – an active e-community that circulates

news and events connected to the investment scene in Cambridge. As previously stated, only one finance agent in the North East, Cliff Landles belonged to a non local network (the Oxfordshire Business Angels groups), otherwise no other agents in the North East identified themselves as belonging to a non-local specialist network concerned with investment. These findings suggests that in relation to each other, each finance community has dissimilar opportunities to access financial knowledge which serves to produce asymmetrical landscapes of financial knowledge.

6.2.7.2 Attending investment conferences in other regions

Half of East Midland finance agents attended investment conferences beyond the region. The most popular were the annual Oxfest in Oxford and the Great Eastern Investment Forums in Cambridge, Eddie Drake and Craig Alexander also attended the Beer & Partners investment conference held annually in London. None of the North East finance agents reported attending non local investment events which serves to reinforce the relative self containment of the finance community. For the most part local finance agents in the North East appear to operate at the scale of the region. This isolation from non local investor networks I suspect hinders local finance agents to develop organisational proximity with agents from beyond the region and their ability to access financial knowledge produced and circulated elsewhere.

6.2.7.3 Organising regular and special one off investment events

At Connect Midlands a dedicated team of people organise three annual investment conferences; two Springboards events for companies seeking up to half a million pounds of equity and one annual conference for companies seeking one million pounds plus. Similarly the BioCentral event also 'attracted up' (Liam Perry) specialist investors from Cambridge and London, to see what BioCity had to offer and make investments. Although I acknowledge that there are multiple logics for non local agents to attend these investment events, the delegate lists at these events showed a geographical spread of attendees from the West Midlands, London, Cambridge and Oxford. I argue that this attendance is partly testament to the sustained effort that local

agents in the East Midlands put into maintaining their non local links and as a result develop relational proximity to non local investor networks.

In contrast, delegate lists were not circulated at the North East's investor forums so it was not possible to identify where all agents had come from. That said, my familiarity with the total population of finance agents in the North East and my observation of those who attended investor forums leads me to believe that there were very few, if any, non local finance agents at North East investment events. I suspect this is underpinned by the lack of effort or importance local agents appeared to attach to forging non local contacts which is likely to be influenced by the region's financial architecture.

6.2.7.4 Deliberate employment and corporate strategies

To continually forge new alliances there are two investor relations specifically employed in Connect Midlands 'whose job is to develop relations with investors' (Eddie Drake) wherever they are. Apart from constructing new socio-spatial configurations stretched across space this practice allowed the investor relations to stay close and up to date with financial knowledges beyond the region. Only two agents in the North East appeared to employ deliberate corporate strategies to stay current with their non local contacts, these were Shaun Farris and Miriam Stoppard. Miriam told me that she tended to spend half the week out of the office in either London, Birmingham or Leeds. She told me her strategy when visiting London for the day was 'five meetings there...and then the plane home'. Meanwhile, because Shaun Farris felt that the region lacked funds it meant that he had to continually be out of the office forging and maintaining non local alliances, yet he hinted to me that he appeared to have to justify his absence from the office to his boss in the following way ...

'...I can come and sit at my desk if you want but that's not going to achieve much ... I have got to go where I think we can have the best chance of success...'

(Shaun Farris)

As a consequence Shaun perceived himself to be a 'bit of a traveller' which made him feel like an extraordinary character in the context of other corporate financiers in the region because he was 'not wedded...bound to the region daily'. Nevertheless, Shaun felt this was 'maybe a good thing' given his job is concerned with trying to secure finance for entrepreneurs. This response suggests that Shaun perceives some of the other finance agents that he works with to be strongly rooted to the region.

I argue that the multiple strategies employed by East Midlands finance agents to stay current with non local agents, forms a dense lattice of co existing and overlapping spatial arrangements. These non local interactions provide continued fluidity and movement within the investment networks in terms of people and knowledges frequently moving and circulating between the East Midlands and beyond, particularly Cambridge. I argue that this plethora of non local contacts serves to increase opportunities for emergent power and strategic alliances to be realised and formed (Yeung 2005). In short, it is through these interactions and contacts that relationality is constituted and the relational advantage of the East Midlands is maintained. Ironically, I would suggest that partly underpinning the relational advantage of the East Midlands is the scarcity of indigenous finance which acts as a catalyst for finance agents to operate beyond the region. By said agents undertaking this non-local engagement a whole set of other outcomes are realised such as local finance agents accessing financial knowledge and developing organisational proximity with non local investors from some of the most economically dynamic parts of the country.

The paucity of strategies used to stay current alongside the lack of importance the majority of finance agents in the North East placed on belonging to non local networks, meant limited opportunities for relationality to be constituted, strategic alliances to be formed or emergent power to be realised and mobilised. My suspicion is that in contrast to the East Midlands, the rich supply of indigenous equity in the North East acts as a disincentive for local finance agents to engage non locally. A by-products of this rich landscape of equity underpinned by the UK government, is that it serves to reproduce and reinforce the isolation of the North East's finance community to investor networks elsewhere. This results in restricting local finance agents from accessing non-local and up to date financial knowledge circulating across and within

monetary networks. To what extent these dissimilar amounts of non local connections and uneven opportunities to access financial knowledge in each regional milieu matters to local entrepreneurs in being able to secure equity and become investment ready is a key question in this research. This concern is taken up in the next chapter.

6.3 Examining the Porosity of Each of the Finance Communities

As stated in the introduction, one of the aims of this research was to explore the *porosity* of each finance community, that is, to question how easy it is for non local agents to move into each of the case study finance communities, to do business or share information. Uncovering the nature of the entry points into each finance community can show the extent to which the finance network is relationally and territorially defined. I argue that the more porous a community, then the more difficult it is to define exactly where, if at all, community begins and finishes. Finally, exploring the porosity provides more clues into the levels of connectivity of each community and helps me piece together each of the relational geometries discussed in section three of this chapter.

In all of my interviews I asked each finance agent if they considered the investor networks in Cambridge, Oxford and the City of London to reach, cross cut and overlap with their respective regions. I asked about these places given that they are seen to house the critical mass of investors (Mason 1987, Mason and Harrison 2002, 2003) and according to Thrift (1994), City investors hold the 'discursive authority' on what counts as valid financial narratives. Table 6.4 highlights how there were significantly dissimilar perceptions about the degree of overlap between each of the two case study regions. While all of the East Midland finance agents felt that the networks did overlap and reach within their region, none of the North East finance agents perceived there to be any overlap. Instead, their opinions were more varied and sometimes only speculative. It is plausible to suggest that while the East Midlands may appear to have a relatively porous finance community, the responses from finance agents in the North East imply that the finance community is more cut off or isolated from non local investor networks.

Table 6.4 Do overlaps exist with non local investor networks in London and the South East?

	East Midlands	North East
Yes there are overlaps	12	0
Informed – very few overlaps	0	3
No overlaps	0	3
Speculate - very few overlaps	0	6

Within the East Midlands, the type of institution the agent was from influenced how they perceived the investor networks to cross cut and overlap.

6.3.1 Corporate Financiers

Both corporate financiers I interviewed felt it was not uncommon for investors from the City of London to come to the East Midlands 'looking for opportunities' (Phil Swiss). Apparently 'more and more funders from London are prepared to travel to the East Midlands on a regular basis to look at opportunities' as opposed to two or three years ago said Phil Swiss, a corporate financier at Tenon, Nottingham. Similarly Dominic Lodge suggested that 'on a regular basis venture capitalists will come up to Leicester to remind people what they do'. Consequently Dominic 'did not feel the need to go down there (London) because they are making the effort to come up to Leicester'. This suggests that in the opinions of the corporate financiers the boundary to the East Midlands finance community is relatively porous. It also suggests that the investors from London may perceive the East Midlands finance community to have attractive investment proposals or that City investors perceive finance agents in the East Midlands to operate in similar money cultures.

6.3.2 University Technology Transfer Officers

Both technology transfer agents also felt that investment networks from Oxford, Cambridge and London overlapped with the East Midlands. Gwendolen Pearl at Loughborough University told me that 'London firms have contacted us in the past looking for opportunities so I definitely feel there is an open door'. When I asked her

how often she gets London firms knocking on her door looking for opportunities she modestly replied 'its not a lot – may be sort of eight or ten a year'.

Bill Lambert at Leicester University felt investors in Cambridge and Oxford 'almost without exception are very happy to come here, see what we have got and consider potential investments'. He told me that last year he probably had 'four or five visits from different organisations', one of which has been back twice and one is returning to look in a slightly different area. Bill felt that 'none' of the investors he has met 'have said 'won't touch East Midlands'.

Arguably both these agents provide an entry point by which non local investors can enter the East Midlands investment scene. Furthermore, their attitudes appear to reflect a willingness to enter into strategic alliances in order to secure deals and investments though this may be influenced by the shortage of local venture capital funds.

6.3.3 Regional and Other Intermediaries

Liam Perry and Eddie Drake appeared to be key 'anchors' in the East Midlands finance community. Both were able to attract investors from beyond the East Midlands to attend specific investment events, thus reinforcing the porosity of the local financial milieu. Liam Perry admitted that he 'pulled in a few favours' and used his pre-existing contacts and friends from when he worked in other companies outside the East Midlands to attend his Biocentral investment event. Aside from this example highlighting how economic activity is embedded in networks of social relations (Whatmore and O'Neil, 2000) this example also connects with the work of Etlinger (2003) who by de-homogenising trust, highlights how 'emotive trust' developed in networks of friendship can be transferred into 'capacity trust' in the workplace to engender change.

My findings suggest that East Midland finance agents enable numerous articulations, connections and linkages with investors beyond the region. This results in an investment community that is for the most part porous, welcoming and easy to enter, though of course, this is difficult to validate fully without speaking to non local

investors about their perceptions. Furthermore, because these connections are mostly with investors and other finance agents in Cambridge, Oxford or the City of London, I argue this allows East Midlands finance agents to both access and remain up to date with financial knowledges produced by the 'discursive authority' (Thrift, 1996). In turn, this allows organisational proximity to develop and for East Midland finance agents to operate in similar money cultures to other non local agents and firms.

Three quarters of North East finance agents perceived there to be very limited, if any, links to the investors in the City of London. Comments like 'there are no links' (Shaun Farris) or that 'we operate in isolation' (Brian Coulson) to the City of London typified the responses. While some agents were only able or willing to offer such short and closed comments, others seemed happy to explain why they felt there was a lack of overlapping connections summarised in Table 6.5. Before moving on to discuss these reasons to account for the lack of overlaps, I am mindful of Schoenberger's (1997) observations that elites often attribute regional obsolescence to the social, institutional and physical landscape of the region, rather than the knowledges and decisions that are made in the venture capital firm which I will return to shortly at the end of this section.

Table 6.5 Reasons Cited for the Lack of Overlapping Investor Networks in the North East

Reason for lack of overlaps	Times Cited
Perceived lack of good investments in the North East from non local agents	3
Non local agents unaware of investment opportunities in the North East	1
Good to be self contained	2
Reduces competition	1
Time and cost	1
Parochialism	2
Not elaborate	4

6.3.4 Perceived lack of good investments

Three elites in the North East felt that there was a lack of overlap with other investor networks because City investors did not perceive the North East as an attractive place to make investments. Brendan Meredith, a venture capitalist at NVM, told me that 'there are a lot of people who would be unwilling to come up here unless something looked absolutely fantastic'. After a long pause he then told me investors 'certainly won't come up here to spend time with people off their own back or very rarely they will anyway'. I argue this comment indicates a lack of relational proximity between local and non local investors, and that City investors may not perceive North East finance agents to operate in compatible money cultures although further research would be needed to validate this. Frank Aspel, a regional corporate finance adviser, echoed Brendan 'the vast majority of venture capitalists out of the region ... probably don't see the North East as being an area where there is that much business for them'. As an outcome 'very very few' non local venture capitalists kept in contact with Frank who did not seem perturbed by this: 'not sure I care actually'. Henry Potter was also quick to tell me that 'very rarely' do the networks cross cut and overlap from the Golden Triangle. He told me that although 'I'm sure deals have been done ... I don't see much evidence of them looking to invest up here' again suggesting that non local investors do not see the North East as an attractive place to make investments which serves to reinforce how the North East is relatively isolated, impervious and self contained.

6.3.5 Unaware of Investment Opportunities in the North East

Daniel Simms felt that the numerous specialist early stage technology funds in London 'would love to come across all these opportunities' in the North East, but that 'they are just not aware of Entrust and what it does'. In other words, the lack of overlap and connections is attributable to the anonymity, isolation or perhaps exclusion of Entrust amongst monetary and investor networks in the City. This hints at the lack of organisational proximity between the different finance communities.

6.3.6 Parochialism

Both Shaun Farris and Miriam Stoppard suggested that the lack of connections with non local investor networks is attributable to the 'bunker mentality' (Miriam Stoppard) and reluctance of local finance agents to leave the North East region and forge new alliances. Miriam felt it was only 'people like me who are the link' with the critical mass of investors in the City of London and that 'there are relatively few of us in this region' who have links stretching beyond the region. In Shaun Farris's opinion, 'I think what is here is quite parochial to the region' referring to other local finance agents of which, he found their parochialism 'staggering'. Miriam suggested that the combination of firstly, North East finance agents having a 'pride' issue in 'acknowledging that if we don't have something in the region we have to go and get it from outside' and secondly, because in her opinion very few local finance agents have a network that extends beyond the region, it produces a 'huge fetter and break on economic growth and development'. Given that both Shaun and Miriam do not appear to be bound to the region, and although these opinions are highly situated, I am sympathetic to Miriam's suggestion that the isolated nature of the North East finance community from non local investor networks serves to negatively affect both the North East's relational advantage and economic development.

6.3.7 It's Good to be Self Contained

It became apparent that three agents interpreted the lack of overlaps and connections to the crucial mass of investor networks as something of an achievement. When I asked Henry Potter what difference it would make to what goes on in the North East if the critical mass of investors in the City and the South East did not exist, his response was 'I'd like to think not as much now as it would have done a few years ago', the reason being that the North East has 'got all this range of funds'. In Henry's opinion, the rich supply of equity in the region led him to believe there was no need to have connections to the City. Because all the equity funds in the region can only be invested within the standard administrative regional boundaries such regionally focussed and bounded behaviour is not surprising: I suspect that the North East's financial architecture discourages local finance agents from forging non local contacts as they do not need to try and secure funds unlike their East Midland counterparts

who cited the lack of funds as their main reason for networking beyond the region (see table 6.2).

Marvin Evans, a fund manager at NEL also appeared to celebrate the North East's self confinement. He perceived the North East as a good place to operate in as a venture capitalist because 'you can literally host an event in a relatively small room and get everyone that you needed to know there'. Similar to Henry Potter, in Marvin's opinion, the smallness and self containment of the finance community is 'good because you can get your arms round this region'. Other actions perpetuating the North East finance agent's isolation from non local investors was Luke Wardle, a fund manager in Teesside who felt that the 'only conduit' to any cross cutting networks was 'one of the dinners up in Newcastle' hosted by the BVCA, though subsequently Luke hadn't 'seen sight or sound of them'. As a result Luke doesn't 'even bother reading their e-mails now'. I argue that this deliberate self exclusion by some agents to non local investor networks, coupled with the regional financial architecture, hinders local finance agents to access, circulate and share up to date financial knowledge. In so doing I argue that this significantly prevents opportunities for local finance agents to realise the benefit of forging organisational proximity or strategic alliances with non local agents and investor networks to engender economic change.

6.3.8 Reduces Competition

In similar vein to the previous theme, Frank Aspel, a corporate financier, was a 'great believer' in the region's isolation from other investor networks or as he saw it the 'North South divide'. This was because it reduced any threat of competition for him and 'creates a market place in the North East where the likes of ourselves can operate very effectively'. In Frank's opinion, 'being insular is a good thing'. He told me that one of his fears is that he always has 'this thought in the back of my mind' that he doesn't want to 'push' the region too much in the City and the South East because it may disrupt 'the nice balance that we have got here at the moment'. In other words, by Frank deliberately operating at the regional scale, and for the region to remain impervious to non local investor networks ensures his company remains profitable.

Frank's unwillingness to allow new entrants into the community was apparent when he told me that

'...I don't particularly want people coming up here, I don't want to see other firms of accountants setting up here, we don't want anymore venture capitalists up here, I think we have got a market place which suits...I mean I'm being very selfish but it suits us as a firm and helps us make money'.

6.3.9 Time and Cost

Damon West, a member of BIG attributed his lack of non local contacts to the time and cost it would take to travel to see other investments.

'...the only reluctance for us to go further a field is the increase in time...you might have to drive for half a day ...so there is more cost to that...'

Interestingly Damon perceived non local networks in terms of investment opportunities rather than connections to other investor networks. Although an insightful reflection of his world view, this may suggest his disconnection from other business angel networks. Admittedly the geographically peripheral position of the North East region could underlie Damon's response, although he still demonstrates a strong regional consciousness that appears to shape and inform his territorially bounded behaviour. In so doing he reinforces Cliff Landles' comments about his fellow BIG colleagues who he suggests are 'reluctant' to operate beyond the region.

6.3.10 Non Elaboration.

Although five economic agents felt that it was important to be part of non local networks, they appeared unable or unwilling to give any tangible or substantive reasons why. Two fund managers seemed more willing to talk about their global connections rather than discuss non local UK based networks. These global connections appeared vague and unsubstantiated and my suspicion is that this was done to play down their isolation and disconnection from non local investor networks in the UK. This was indicated by Marcus Hunter, a fund manager at NStar, who could

only provide an 'example' rather than any concrete non local links he could draw on should a company require further investment.

'...I mean at the end of the day ... we will use a global network to secure private sector finance, whether that is an investment house in Singapore, whether that's an investment company in Boston...'

Given that I was suspicious about how substantive these links were, I decided to probe Marcus further, but was interrupted and given an explanation characterised by hypothetical and 'simple examples' (Marcus Hunter).

FW: You have just mentioned your global networks – do you have links globally then?

KG: yeah

FW: How do you...

KG: (cutting in) again it's sort of a little bit of erm, you know, erm, previous history that we all have in doing business. Simple example, is if you go to a conference in New York and you meet a load of venture capitalists and you can promote the idea of the region, that potentially is a co investment partner. You know if our Chief exec disappeared off to Singapore with representatives with Newcastle Uni and they meet some hi net worth individuals who are interested in technology that is potentially another source of deals...'

In my opinion, Marcus appeared unable or unwilling to explain any tangible sets of contacts to other parts of the world. Furthermore, I suspect that merely promoting 'the idea of the region' is not necessarily a compatible way of intersecting and doing business with venture capitalists from New York to secure economic change.

Marvin Evans, a fund manager at NEL, explained his lack of non local connections by his perception that venture capitalists only like to invest locally which concurs with claims put forward by Klagge and Sunley (2005) and Mason and Harrison

(2002, 2003). In Marvin's view it is too 'time consuming' and 'inconvenient' for non local investors located in the South East to invest in the North East. Although this hints at the geographical position of the North East perpetuates its isolation, Marvin was keen to mention NEL's contacts in America though he admitted that the network was in its early stages.

'...US investors are important although we don't have ... we don't have a good US investor network but we are building one and we are starting to get there with a few...(Marvin Evans)'

More interviews would be needed to understand exactly why these elites appeared keen to stress their global, rather than non-local UK connections but it is possible to speculate. Aside from the rich landscape of funds possibly discouraging these agents to view it as important to engage non-locally, the apparent disconnection that these fund managers have from investor networks in London and the South East may reflect the lack of organisational proximity and relational complementarities between the two monetary networks. Alternatively, the North East may not be perceived to have attractive investment opportunities from the perspective of non local investors. All these reasons, either separately or combined, may necessitate these fund managers to seek global contacts instead.

In light of some of the views expressed by North East finance agents I briefly want to highlight the work of Schoenberger (1997). The unique way in which North East finance agents made sense of the world around them, meant that throughout the interviews they appeared to excuse themselves of responsibility to explain the lack of overlaps between investor networks. Instead, agents either cited the industrial and social structure of the region or the perceptions they thought non local investors had about the region (table 6.5). North East finance agents did not seem to reflect on their own behaviours, decisions and corporate strategies to account for the lack of overlaps between the investor networks. This could suggest that North East venture capitalists could be conceptualised as being embedded in a process of 'trained incapacities' (Schoenberger 1997) that is, the idea that these finance agents may be firmly grounded in their own history of experiences and firm specific cultures, that it causes them to have a certain way of thinking about the regional venture capital scene, other

investor networks and the region. Consequently it is 'beyond [their] comprehension' (Schoenberger 1997) that it is they themselves who may need to change their behaviour in order to increase the amount of non local connections.

My findings in this section suggest that North East finance agents are largely disconnected from non local investor networks tending to operate mostly within, and at, the scale of the region. Due to the limited entry points into the local financial milieu there appears to be little fluidity in terms of people, or financial knowledge flowing in and through the community. The behaviour and strategies outlined by some local agents, however, actually serves to reinforce the North East's self containment and organisational distance from external monetary networks. Agents like Frank Aspel, Luke Wardle or Henry Potter appear to actively 'guard' the boundary to the finance community in order to maintain its already impervious nature.

In contrast nearly all of the East Midland professional finance agents ensured multiple overlaps were maintained with non local investor networks, particularly those located in Cambridge. Such activity produces a significantly more porous finance community in which people, money and knowledge can easily flow through and within. The multiple external and local connections that East Midland finance agents maintain makes it more difficult to define where exactly the East Midland finance community starts and finishes. The next section will now explore in more detail the two dissimilar and contrasting relational typologies.

6.4 Relational Geometries

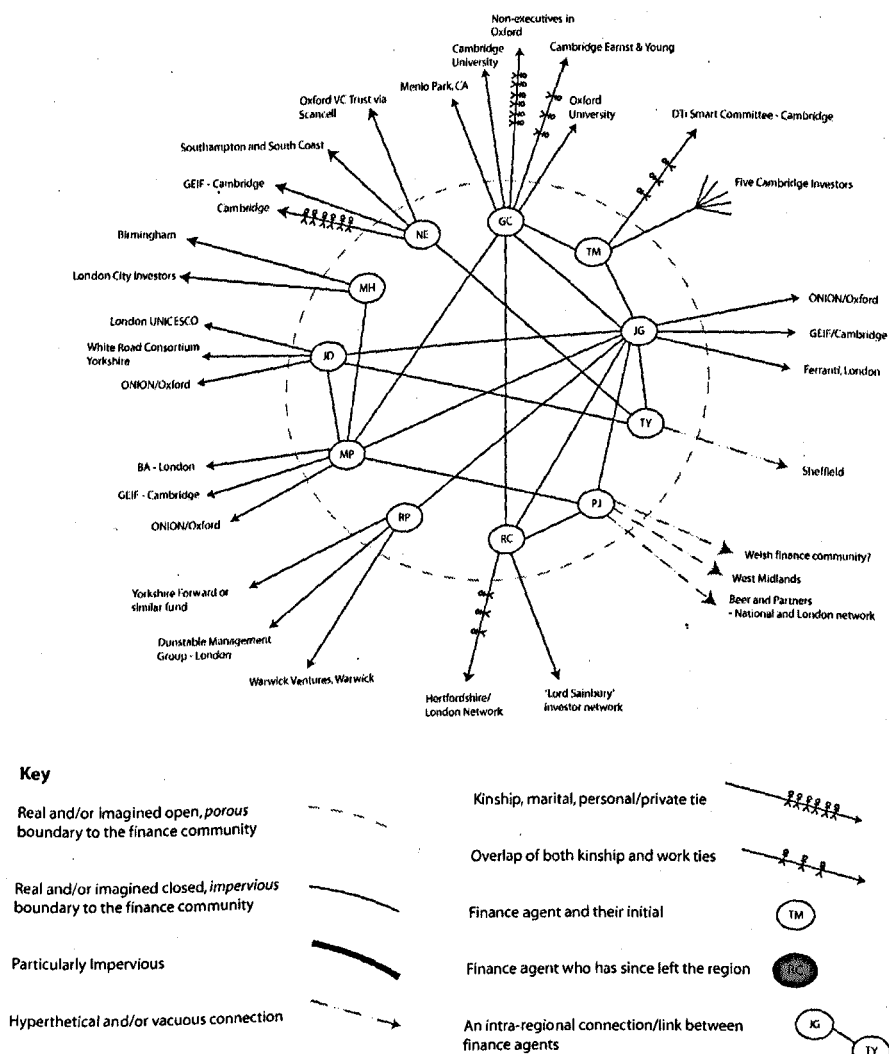
As stated in the introduction to this chapter, I have been strongly influenced by Yeung's ideas on relational geometries (2005). Based on answers to my interview questions on actual contacts and networks each set of regional finance agents had in the first two sections of this chapter, the aim of this section is to summarise my evidence and construct a relational geometry of each finance community. This is useful to indicate the degree of relational advantage of each finance community.

Before critically analysing my diagrams, some simple explanation is warranted. On both diagrams each of the small circles with two initials inside them represents an individual finance agent I interviewed. Lines drawn between, and connecting, these different regional agents denotes a contact with a fellow local finance agent (the local ecologies of interaction were discussed in chapter 5). Next, both the larger solid circle on the North East's geometry and the large dashed circle on the East Midland's geometry represents the boundary of each finance community – the different constitutions and properties of these boundaries will be explained shortly. Arrows extending from a local agent that cut through the community's boundary represent a non local contact, while the text denotes their geographical location. Arrows that are dashed represent what I understand to be unsubstantiated non local contacts. It is important to be mindful that these diagrams represent only a momentary slice through each finance community, therefore it is not possible to demonstrate from the geometry how often these contacts, both local and non local occur, dissolve, form and re-form. Furthermore, although on first glance it is clear that there are substantial differences between each regional geometry, they should not necessarily be seen as either binary opposites or the only possible typologies as other typologies of other finance communities could be added.

6.4.1 Boundaries

To illustrate the porosity of the East Midlands finance community, the boundary is deliberately broken up and dashed. This is to reflect the numerous entry points into the financial community that have been created by local finance agents. The boundary is also dashed to reflect the difficulties in defining where the East Midland finance community starts and where it finishes, given the multiple sets of social relations stretching over space. In other words, the dashed lines denote a more relationally constructed finance community that does not operate in, or cannot be identified by strict territorial and scalar lenses.

Figure 6. 1 Relational Typology of the East Midlands Venture Capital Community



In contrast, the solid line drawn around the North East finance community represents its impervious nature. Only two parts of the boundary are dashed. This is around Miriam Stoppard and Shaun Farris which reflects their 'willingness to leave the region' (Miriam Stoppard), to forge non local connections. Around some of the agents the regional boundary appears slightly thicker. This reflects those agents that appear to behave in ways that ensure they deliberately stay disconnected from non local investor networks and instead who act within, and at the scale of the region such as Frank Aspel or Luke Wardle.

6.4.2 Non Local Connections

The East Midlands geometry clearly highlights the myriad of non local connections practically all finance agents had, although it does not illustrate the strategies and efforts used to foster and maintain these links. I argue that these multiple and overlapping non local constellations reflect the importance that East Midland agents place on having non local contacts (reasons why were outlined in section 1). I argue that the dense lattice of connections increases the opportunities for emergent power to be realised and mobilised to secure certain outcomes which could be seen by the presence of non local investors at Springboard and BioCentral. I also argue that the rich landscape of connections ensures continued fluidity and movement of people in the East Midland financial milieu who can access, transfer and circulate financial knowledges allowing relational proximity and relational complementarities to be developed.

The amount of non local connections North East finance agents have compared to their East Midland counterparts varies significantly and suggests the region has considerably less relational advantage, by which I mean how beneficial the sets of connections are to producing and securing economic change (Yeung 2005). The relatively sparse sets of external linkages denoted on the geometry arguably reflects how North East finance agents are mostly cut off, disconnected and isolated from non local investor networks, which produces numerous information asymmetries about investment contexts and financial news elsewhere. For example, Henry Potter suggested that in terms of the amount of indigenous venture capital funds and business support available in the North East he 'thinks' that 'we have probably got as

good as offering as anywhere in the Country' and that the North East region is 'no different to the East Midlands, the West Midlands and the North East South West'. Based on my findings in the East Midlands and the regional financial architecture in the North East I would disagree with Henry's world view. Nevertheless, this comment gives an interesting insight into how well some agents were able to see themselves and the North East finance community *in relation* to other places and that some elites do not have a detailed or nuanced understanding about other investment contexts.

6.5 Conclusion

Drawing on recent work concerned with the relational turn in economic geography this chapter has subject the venture capital industry to an alternative analysis and examined the networks of connections that venture capitalists have across space. In so doing, I have been able to show that there are significant differences between the two case study finance communities in terms of their connectivity, porosity and relational advantage.

6.5.1 Connectivity

Just as East Midland finance agents attach value and importance to having local connections (chapter 4), my findings have demonstrated that they also attach value to having non local connections. I argue that this behaviour has generated both a porous finance community where people, knowledge and money can flow through, but also a relational advantage that is unique to the finance community. The benefits of these sets of non local connections as East Midland agents see it, is that they have facilitated their ability to forge relational complementarities and develop organisational proximity to non local agents and institutions. Such alliances are being actively utilised by East Midlands agents to secure a number of desired outcomes which include; the ability to share and be exposed to best practice and new ways of working; the opportunity to secure funds from beyond the region; the confidence to organise and host investment conferences that are well attended by non local agents; and the opportunity for East Midland finance agents to belong to other non local investor networks.

In relation to the East Midlands, the North East has a very different typology. Local agents have few connections to investor networks beyond the region which mirrors how said agents tend to operate in isolation with local agents too. Consequently there were few instances of organisational proximity and relational complementarities between North East agents and non local finance agents. How this lack of relational advantage is manifested, or can be observed, is more difficult to explain, but the absence of external investors at Investor Forums, or the lack of membership local finance agents had to non local investor networks may be testament to the finance community's organisational distance to other investor networks. As a result I argue the North East finance community could be seen to possess less of a relational advantage in relation to the East Midlands.

6.5.2 Considering the Institutional Terrain

Mindful of Yeung's claim that it is important to examine the interplay of agents and structures (2005) this chapter has argued that a key factor underpinning these different relational typologies is the dissimilar institutional terrains and financial architectures in which these finance agents are working.

The dependency of the North East region on the government and the ERDF for its relatively rich supply of venture capital, alongside the conditions attached to how these funds can be invested encourages local finance agents in the North East to adopt such a strong regional focus. I argue that the financial architecture and state intervention encourages the agents to operate in such territorially and regionally bounded ways. Meanwhile, I argue that the fairly equal distribution and management of this supply of equity also contributes the lack of collaborative projects and strategic alliances I found North East finance agents to rarely be entering into with non local investor agents: the rich supply of finance means that local finance agents feel they have no need to either forge external strategic alliances to secure certain outcomes. In short the constitution of the financial architecture in the North East ironically serves to reinforce the peripheral and isolated position of the region and its finance agents from belonging to non local investor networks. That said, the geographical distance of the North East to other regions, particularly the critical mass

of investors in London, Cambridge and Oxford may act as a barrier to local finance agents engaging non locally. However, this factor was only mentioned by one business angel.

The relative paucity of both public and private equity funds in the East Midlands arguably encourages local finance agents to undertake non local engagement and operate in less territorially bounded ways to their North East counterparts. Despite the lack of finance, the financial architecture serves to foster a more relationally constructed finance community and makes it difficult decipher where the East Midland finance community starts and finishes as finance agents have to engage non locally to try and secure funds for local entrepreneurs. Further, the physical proximity of the East Midlands to Cambridge, Oxford and London, and the numerous pre-existing non local contacts that local finance agents have from previous jobs, may make it easier for local finance agents to undertake non local engagement.

6.5.3 The Movement of Embodied Financial Knowledge

By drawing on concepts such as relational proximity and relational complementarity I have been able to empirically demonstrate the actual mechanisms by which financial knowledge is moved and circulated across monetary networks. This was easily identifiable within the East Midlands finance community where the circulation and exchange of financial information between non local investor networks, particularly in Cambridge was rife. The mechanisms included; East Midland finance agents attending non local investment events; membership to non local organisations concerned with investment; and the attendance of non local agents at Springboard and BioCentral. These were all spaces in which financial knowledges are circulated and exchanged amongst local and non local finance agents.

These same concepts are also useful to account for an asymmetrical and uneven landscape of financial knowledge. The lack of non local engagement undertaken by local finance agents in the North East meant said agents were not present in the type of spaces where financial knowledges are shared and exchanged. Therefore their opportunities to access up to date financial knowledge is hindered and partially blocked (Bogenrider and Nooteboom 2004, Bathelt *et al* 2004). Meanwhile, Miriam

Stoppard and Shaun Farris who appeared embedded in non local networks were able to access up to date financial knowledge, produced in the City of London. This demonstrates how physically distant agents are able to access and share similar financial narratives in relational spaces leading to an asymmetrical landscape of financial knowledge.

In sum, then, this chapter has shown that each finance community has significantly different levels of relational proximity to non local investor networks which is strongly underpinned by the dissimilar institutional terrains in which each set of finance agents operate. The dissimilar levels of connectivity produce different amounts of relational advantage inherent in each finance community alongside uneven opportunities for local finance agents to access up to date financial knowledge produced by those investors seen to hold the 'discursive authority' (Thrift, 1994). Although this chapter has demonstrated some of the tangible outcomes that the different levels of connectivity bring for local finance agents, questions still remain if the different levels of connectivity that we have seen in each finance community make a difference to the ability of local entrepreneurs to secure finance? Fortunately, the utility of this research is that I can set about answering this question as the next chapter will discuss the findings from my interviews with local entrepreneurs who were seeking or had recently sought equity finance in each case study region.

Engaging with Demand: Exploring the Experiences and Situated Knowledges of Regional Entrepreneurs Seeking Finance

7.1 Introduction

While the last two chapters focussed on the behaviours and practices of professional finance agents, the spotlight in this, the final empirical chapter, is centered over local entrepreneurs seeking finance who constitute the demand side within more traditional discourses surrounding venture capitalism. A total of forty entrepreneurs (twenty entrepreneurs in each case study region) seeking finance or who have recently sought finance in the last two years were interviewed about their experiences and their opinions of the local financial landscape. The role of this chapter is to report the findings and to pull out any regionally distinct differences or similarities.

This chapter is organised into four sections. The first section is concerned with the local institutional terrain in which entrepreneurs operate. The institutional context is a significant influence on the flows of equity as well as the way in which investor readiness programmes are regulated. The ways in which local entrepreneurs interpret their local institutional environment and their response to it will provide an insight into how easily or difficult entrepreneurs find their local institutional environment to navigate and if they consider there to be any barriers to setting up a business or securing finance in their region.

Informed by personal accounts of local entrepreneurs, the second section will examine and compare each set of regional entrepreneur's experiences of the two main regional intermediaries, Entrust and Connect Midlands. This is in terms of their experiences of becoming investment ready and pitching at either Springboard or Investor Forum. This is to understand better if the different ways in which the training and investment events organised by the professional finance agents highlighted in chapter 4, make a difference from the perspectives of local entrepreneurs in being able to secure finance and strengthen their financial knowledges.

The third section of this chapter is concerned with impacts and considers how the dissimilar institutional terrains and preparation processes in each region affects the kinds of financial knowledges the entrepreneurs embody. Here I can examine how the quality of training entrepreneurs receive affects their understandings of the required sections in a business plan plus their attitudes to giving up ownership in return for equity. This helps demonstrate if local entrepreneurs embody the social relations of equity in similar ways (Zelizer 2004, Gilbert 2005) and operate in similar money cultures.

Continuing the theme of analysing networks and communities of practice relationally, the fourth and final section examines to what extent entrepreneurs engage non locally with professional finance agents, the reasons why, and the material impacts this may have. This foray will (i) provide insight into the heterogeneous connections that entrepreneurs forge and maintain across space and at distance, (ii) allow me to compare how the attachments that local entrepreneurs have to non local circuits of capital, people and knowledge compares to their professional counterparts, (iii) speculate if the level of non local engagement by entrepreneurs adds to the 'relational advantage' (Yeung 2005) of each local finance community identified in chapter five.

As in chapter 4, I also aim to capture the ecologies of interaction and communication between local entrepreneurs and examine to what extent they mix with each other and the kinds of connections they have. In short, this section will explore if entrepreneurs draw on localised capabilities or if specific advantages accrue by entrepreneur's co-location and physical proximity within the local milieu. Examining the kinds of

engagements and connections that entrepreneurs undertake both locally and non locally allows me to speculate about the degree of collaboration and associations entrepreneurs have which are not necessarily rooted to a particular locale. In so doing this research is able to suggest that interaction and contacts can be forged and maintained at a distance and problematise notions that only certain kinds of ties can only exist in certain spaces or spatial scales (Storper and Venables 2004, Faulconbridge 2006).

As discussed in the methodology (chapter 4, section 4.3.5) my sample of entrepreneurs was not able to be industry specific, although analysis by sector and company genealogy allowed some comparisons to be made where relevant. To reassert then, I do not suggest that my research findings are wholly a product of, or are directly related to these regional differences in sector or genesis. Please see Appendix 3 for a list of the entrepreneurs I interviewed and the sector in which their business is. Please note that all entrepreneurs' names have been changed to pseudonyms.

7.2 Institutional Terrain

During my research I was keen to explore entrepreneurs' perceptions of the institutional context in which they were operating and seeking finance. Local entrepreneurs were asked how they perceived the region as a place to set up and do business, its socio-institutional support architectures and especially, their opinions of the venture capital scene in terms of the amount of local funds available and how the industry is organised and structured in their region. These questions were intended to examine how entrepreneurs understood and made sense of their local context, and to what extent entrepreneurs perceived the local context to help or hinder their ability to set up and do business in their region and secure finance. The themes and observations raised by each set of regional entrepreneurs varied.

7.2.1 Funds

Regarding the availability of funds entrepreneurs in the East Midlands understood, and were more aware of, their local financial landscape more so than their North East counterparts. Fourteen out of twenty East Midland entrepreneurs recognised the relative lack of venture capital funds indigenous to the region. Regarding the venture capital scene in the East Midlands Glen McBride told me 'you don't see it, you don't feel it, erm what is it!' Others concurred and felt there was a sparse landscape of venture capital with 'no depth to it' (Ewan Channel) and a 'lack of people to whom you can go to get money' (Aidan Keating) for equity investment.

Only four out of the twenty entrepreneurs I interviewed in the North East recognised the rich supply of equity funds in the region. 'I'm getting the impression that there is a lot of money around' (Nathan Knight) and 'its been said to me more than once by several different sources there isn't a shortage of money but good ideas instead' typified such responses (Joe Parrish). Only two North East entrepreneurs recognised how the regions venture capital industry is heavily subsidised by the public sector 'most of the venture capitalists up here are European funded' (Flynn Thornton) and consequently from Flynn's perspective lead him to feel that there is a 'lack of real money' (*ibid*) in the region. Given the financial architecture of the North East (Chapter 3 figure 3.5) it is surprising that only four entrepreneurs recognise this and sixteen entrepreneurs did not mention the rich supply of equity funds. This suggests that East Midland's entrepreneurs were more knowledgeable about their local financial landscape than their North East counterparts.

7.2.2 Institutional Architectures

A quarter of East Midland entrepreneurs acknowledged the institutional thickness of the region. Five entrepreneurs recognised the recent introduction of numerous 'support frameworks' (Aidan Keating) and institutions aimed at 'creating new businesses and innovation in the last five to ten years' (*ibid*) which Aidan felt had 'drastically improved' the East Midlands as a place to set up a business. Ash Monroe agreed, he too had 'sensed' over the last three years a growth in infrastructure aimed at supporting university spin outs and a 'focus on entrepreneurship' (Ash Monroe)

with the opening of innovation centres at Loughborough and Nottingham Trent Universities. Kit Madden viewed the East Midlands as a great place to set up a biotech company since the opening of BioCity. Kit chose to locate in BioCity rather than Oxfordshire where he ran a previous biotech company because of excellent facilities at an 'exceptional' price. Similarly, Nell Paige, whose technology allows consumers to feel fabrics through the computer screen, recognises that she has directly benefited from the institutions that have enabled her to progress with her business, which she attributes to 'quite a lot of things that try and help protect the textile industry in the East Midlands' as well as initiatives to do with supporting women in business. Nell recognised this as 'quite handy': she fits into both of these categories leading her to view the East Midlands as a 'pretty positive place' to set up a business. These findings suggest that the plethora of support agencies recently introduced in the East Midlands meet their remit from the perspective of local entrepreneurs who felt that they benefited from the support they gave them.

Two entrepreneurs in the East Midlands mentioned the availability of grants for businesses in sites of old industry and spoke of the frustration of not quite 'falling into these areas' (Ewan Channel) which for Ewan Channel meant that he may have missed out on funding from the Coalfields Fund. Harry Freeman deliberately took a factory unit in rural Nottingham because he was told his company would be eligible for a number of support grants but after moving 'we didn't even get a bean' (Harry Freeman) leading him to feel that he is 'always in the wrong postcode' (*ibid*).

Within the East Midlands then, the way businesses were formed influenced the entrepreneur's view of the institutional environment. Of the five East Midland entrepreneurs that had positive references and experiences of the institutional landscape, four had received funding, three were University spin outs (two of which are based in an innovation centre and the other entrepreneur previously so) plus three entrepreneurs were in the high technology sector. Of the two entrepreneurs that highlighted the postcode lottery neither had secured funding although Ewan Channel was based in Loughborough innovation centre. In short, if entrepreneurs had successfully secured finance then this had the strongest influence on how entrepreneurs perceived the institutional terrain.

One quarter of the entrepreneurs I interviewed in the East Midlands had received SMART awards ⁽³⁾ compared to only one entrepreneur in the North East. Arguably this could reflect the way Eddie Drake attends all SMART meetings in the East Midlands to gather 'feedstock' for Invored. Although I did not explore the processes that led to entrepreneurs applying for these awards, the regional differences raise numerous considerations: For example are East Midland entrepreneurs more innovative? Are East Midland entrepreneurs more proactive in applying for awards, and if so, is this connected to the multiple supporting institutions that help and encourage entrepreneurs to apply for such awards? More research would be needed to answer these questions.

The themes mentioned by North East entrepreneurs about their local institutional terrain arguably reflect features often associated with old industrial regions that are heavily state managed (Hudson 1989, 2005). References to a dominant grant culture, plus a region that is a cheap place to set up and do business were rife. Local entrepreneurs also seemed to perceive the business support sector as inefficient and substandard. Unlike in the East Midlands these perceptions did not appear to be mediated by age, sector or stages of business or if agents had received finance.

Four North East entrepreneurs recognised the rich supply of grants and 'fair amount of assistance' (Ryan Harley) available for North East businesses. One explanation for this was that 'the region is perceived by the rest of the UK as something desperately in need of grant money' (Ned Dixon). However because 'we rely so much on support agencies it leads us in the North East thinking we are worse than everyone else' argued Christopher Myles. Arguably, these responses reflect the long history of industrial decline in the North East resulting in the rich supply of grants as incentives to 'modernise' the local economy into a successful and vibrant milieu (Hudson 2005). Such a rich supply of grants, however, may serve to depress the demand for equity as entrepreneurs realise they can secure finance in other ways without giving up ownership of some of their company and hence may not necessarily consider equity finance as a tool to fund their business (Mason and Harrison 2003).

³ Grants provided by the DTI to help individuals and small to medium-sized businesses to make better use of new technology and innovation

Six North East entrepreneurs perceived the region as a relatively cheap place to set up and do business because of the low rents and salaries. For example Alfie Klein felt that the North East was 'more cost effective than some other regions' as he 'pays a lot less here for technical staff than we could do in some other regions'. Callum Quinn felt that even though most of his customers are on the South Coast, the 'rent and salaries would be much higher' there, so the expenses incurred for transporting his boat ropes are still offset by the cheap premises in the North East. For Heath Carson who has an engineering equipment sourcing business, setting up a business in the North East is 'an excellent place' because 'we can have premises like this which we can afford' he said while pointing to the river view from the window of his large office located on an industrial park opposite the Metro Centre in Gateshead.

Eight entrepreneurs in the North East perceived the business support network as poor quality, fractured and ineffective. While some comments were directed towards particular institutions like Business Link who 'don't really know what they are doing' (Callum Quinn), and who claim that 'they do a diagnostic of the business but really they don't' (Christopher Myles), others had more general complaints and that in terms of the intermediaries and agencies in the region 'they are rubbish predominantly' (Alex Bennett).

Four entrepreneurs commented on the lack of a single source of advice when seeking finance in the North East. Ryan Harley felt 'there is just nothing there that you can kind of latch on to for (financial) assistance' in the North East. Heath Carson's experiences of seeking finance in the region were similar 'there didn't seem to be any structured approach' to be able to learn about the requirements of venture capitalists. Heath went on to say that from his perspective...

'...there needs to be more people who can pick up a small business and push them through the various milestones you have got to get through to get funding...I imagine that a lot of small businesses going into the world of asking for finance and preparing a business plan, its all very daunting and frightening to them, there needs to be some one who can pick them up and say right you need to do this, this and this...'

There were pleas by four entrepreneurs in the North East for 'greater clarity' (Ryan Harley) and 'consolidation' to make the business support network more 'focussed' (*ibid*). Evidence that the entrepreneurs found the financial landscape difficult to navigate can be found in Alfie Klein's comment that working through all the bureaucracy 'is like a maze' and 'haphazard' (Callum Quinn).

This is compelling evidence to suggest that the fractured and institutionally thin structure of the North East makes it difficult for local entrepreneurs to navigate the local financial landscape.

7.2.3 Regional Venture Capitalists

Given that the fund managers of the RVCF's decide which entrepreneurs receive this type of investment means they are powerful agents that profoundly influence the regional flows of equity and within the local financial landscape. By virtue of their position and behaviour stark asymmetries of power exist between the venture capitalists and the entrepreneurs.

My findings suggest that fund managers for the RVCFs appear to provide ineffective or no feedback to entrepreneurs who have submitted their business plan and is supported by the experience of five entrepreneurs in each region. For Harry Freeman 'it all went very quiet' after he submitted his business plan to Catapult and the same for Braydon Bailey who six months after a presentation to Catapult still had not heard from them. Meanwhile Ryan Harley did not find out his business plan had been rejected from NEL 'until seven months after' (Ryan Harley) he had submitted it and only found out 'from another source' (*ibid*) that his plan had been rejected for being 'too optimistic'. Ryan took this as 'fair criticism' but still phoned NEL who claimed the lack of feedback was 'because they didn't want to get into a dialogue or any negotiation' (Ryan Harley). Alex Bennett was also frustrated at the lack of feedback NEL gave him.

'...I think they should have responsibility to say we are not going to support it because of this and that ... particularly seen as though they are a public sector company...' (Alex Bennett).

It is plausible to suggest that this lack of dialogue perpetuates information and power asymmetries between fund managers and local entrepreneurs: it hinders local entrepreneurs from understanding how their business proposal needs to be improved to increase their chances of securing equity. Furthermore, the lack of feedback means that entrepreneurs continue to embody dissimilar financial knowledges to their professional counterparts hence serving to underpin and produce finance gaps at the local level.

Although the fund managers for the RVCFs have the monopoly over the majority of funds in each region, (Chapter 3 figures 3.5 and 3.6) dissimilar numbers of entrepreneurs in each region recognised this. Six of the fourteen East Midland entrepreneurs that mentioned the lack of indigenous funds recognised that Catapult was the 'one main contender and candidate' (Aidan Keating) for equity which does not leave a 'huge amount of choice' (Ash Monroe) to explore other avenues for equity and may suggest that demand for equity exceeds supply in the East Midlands. Meanwhile, only two entrepreneurs in the North East recognised the monopoly that NEL had in terms of the distribution of venture capital funds in the region, although Ryan Harley observed that there are many funds 'all called different things its surprising how they all lead back to NEL'. I argue that the relative lack of understanding by North East entrepreneurs about the structure of the venture capital industry in the North East reflects their limited knowledge of the local financial landscape. This is in contrast to their more knowledgeable East Midland counterparts, although I appreciate that the actual numbers of entrepreneurs that raise this theme is very small. The lack of feedback provided by the fund managers of the RVCF's not only illuminates the central importance and pressing need for highly qualified regional intermediaries to educate local entrepreneurs about the expectations and requirements of investors, but also these information asymmetries provide an insight into some of the dynamics reproducing finance gaps in two non exemplar regions.

7.3 Preparing Entrepreneurs to be Investment Ready

This section focuses on the preparation processes undertaken by each of the main regional intermediaries responsible for ensuring that entrepreneurs are both investment ready and understand how best to pitch their business at investment events. As argued in chapter 4, the different preparation processes undertaken by Connect Midlands and Entrust are contingent on, and mediated by, the nature of the institutional milieu alongside the different work histories of the finance agents that coach local entrepreneurs (Martin 2003).

Informed by personal accounts from entrepreneurs, I firstly examine their experiences of Connect Midlands or Entrust in becoming investment ready. Specifically, I explore if local entrepreneurs recognise the quality of advice they receive, if they feel they benefit from the mentoring system, and if so, in what ways? Next I explore the entrepreneurs' experiences of presenting at the investment events and examine to what extent they felt they benefited from attending the event. I also explore if entrepreneurs notice the level of attendance at these events and if they feel this affects their ability to secure finance, forge contacts with investors or strengthen their financial knowledges?

7.3.1 East Midlands Programmes: Experiences of Invored and Springboard Event

Of the twenty entrepreneurs I interviewed in the East Midlands sixteen had presented at Springboard. Nine of these sixteen made it clear that they had gone through the Invored programme hosted by Connect Midlands.

7.3.1.1. Quality Advice

Overall of the nine entrepreneurs that went through the Invored Course all were positive about the quality of advice they had received. Angus Webb felt Invored was 'definitely a worthwhile exercise' and is 'now honing a story' making sure that he covers 'as many bases that we can in terms of objections that a prospective investor

might have' in terms of his business plan (Angus Webb). Nell Paige felt Invored made her mindful about how her business is perceived from an investors perspective 'so my whole pitch at Springboard was devised so that it appealed to them'. Similarly Ash Monroe felt Invored 'does really well because it is so structured' in its workshops. It emerged that at least six entrepreneurs that presented at Springboard had a mentor and entrepreneurs recognised the high quality of their mentors. Kit Madden, whose mentor was Liam Perry, recognised that he 'would have been far worse off without any of the help that he had got' from Liam. Nell Paige's mentor from London felt his advice was 'definitely' beneficial, particularly on her business plan.

From the perspective of local entrepreneurs, Invored meets its remit: it provides information that enables entrepreneurs to understand better the expectations and requirements of potential investors and operate in similar money cultures to investors. As argued in chapter four, Invored is able to provide such quality advice by drawing on the stock of localised capabilities and expertise embedded within the local milieu. Furthermore, as demonstrated in chapter 5, given that the mentors are well connected beyond the region, means that local entrepreneurs are able to access and stay up to date with events and financial knowledge in some of the most economically dynamic parts of the Country.

7.3.1.2 Springboard Events

Overall entrepreneurs who pitched their business idea at Connect Springboard felt it was a beneficial experience. Two entrepreneurs, Kit Madden and Ash Monroe got funding by investors watching their pitches at Springboard. For Kit Madden the 'two good nibbles' he received at Springboard meant he did not have to consult the 'lists' of investors he had prepared to approach if he was unsuccessful. Although ten other entrepreneurs did not get funding directly from Springboard they felt that attending the event was worthwhile because of the advice and feedback they received from finance professionals in attendance. For example, the feedback that Nell Paige got made her realise she 'needed to reach a few more milestones' before an investor would invest. Not all entrepreneurs though appreciated the advice they received. Braydon Bailey told me that when he presented, a business angel suggested he got a virtual office at Warwick Science Park to attract additional funding. Braydon did not

seem keen: he was 'not that impressed' by what he had seen at Warwick Science Park and had 'been busy doing other things making sure we have enough money to pay the bills' which from his perspective mitigated against him following up this advice.

Four entrepreneurs were dissatisfied with their experiences at Springboard because the lack of interest investors had about their products. Samuel Brewer, who felt his presentation 'was certainly the best one of the day' felt that 'after a happy half hour' people did not strike him as being interested. Samuel later admitted that it would require 'a leap of faith' for someone to invest in his business, which I argue investors at Springboard probably recognised. Three of the four dissatisfied entrepreneurs had not been through the Invored course either and I suspect were unaware of the requirements and expectations of investors during their presentations. The entrepreneurs however, attributed the lack of interest they received either to the lack of investors in the audience,

'...these event are set up as 'an audience of would be investors' but in the nicest possible way ...the actual number of people potentially looking at investments I think was fairly minimal ...' (Cameron Olson)

Another reason given was that a 'football ground was not an appropriate location' (Chris Searson) and the 'set up was all wrong' (*ibid*). I would suggest that this is powerful evidence to prove just how much entrepreneurs benefit from attending Invored.

The overall positive experiences entrepreneurs had of Springboard is strongly attributable to both the norms and values underpinning the East Midland professional finance community and the way Connect Midlands acts as an effective source of coherence within the local finance community. The relational proximity (Amin and Cohendet 2004) that the majority of local finance agents I interviewed in the East Midlands maintained with non local finance agents (chapter 6) attracted an even bigger attendance at Springboard. That said, I also acknowledge the educational background of the entrepreneurs pitching at Springboard, such as the university spin outs and entrepreneurs in the bioscience and health sectors are also important for success and growth as well as institutional advice and support.

7.3.2 North East Programmes: Experiences of Entrust

North East entrepreneurs experiences of Entrust and Investor forums were starkly dissimilar to their East Midland counterparts. Entrust appears to be failing to foster entrepreneurs who are knowledgeable and educated about the requirements and expectations of investors. One of the reasons for this is the lack of an official or structured investor readiness programme. As far as I am aware there is no course in the North East where entrepreneurs can learn about the requirements and expectations of investors in a systematic and coordinated way (though this may be different for university spin outs).

7.3.2.1 Poor Quality Training

Of the eight entrepreneurs that had received some form of advice from Entrust before presenting at Investor Forum, seven expressed their dissatisfaction, claiming it was poor quality, generic and had little added value. Heath Carson felt that despite paying two hundred pounds 'we received very little advice and support' and were given 'standard guidelines of what is in a business plan' which he felt he could 'get from anywhere'. Alfie Klein felt that 'in reality they [Entrust] didn't invest a lot of time in' his business plan and Ryan Harley felt that the accountant helping him with his business plan 'didn't take me to task nearly as much as I would have liked'. Ryan Harley felt that because of the poor quality advice he was given by Entrust, by the time he presented at Investors Forum 'it kind of felt like an exam without any opportunity to revise for it'. Ryan was the only entrepreneur that recognised there was still a mismatch between his and the investors financial knowledge when he came to present at Investor Forum which he felt negatively affected his chance to secure finance

'...you do the preparation of what you think is the right thing but when you actually get down to it you may be presenting the wrong answers to the wrong questions...' (Ryan Harley)

This provides commanding evidence to indicate that the biographies of Entrust agents negatively affects the ability of local entrepreneurs to embody similar financial knowledges to their professional counterparts. Any limited and ad hoc training that is given to entrepreneurs is conducted in- house by Entrust employees but as indicated in chapter 5 due to their strong banking histories do not necessarily have the right commercial acumen to foster successful entrepreneurs. Only one entrepreneur who also happened to be a board member for One North East, recognised the inappropriate work histories of finance agents charged with educating local entrepreneurs who 'haven't been able to cut it in the banking system ... and are all just 'faffing about and not delivering'. The misleading and substandard advice provided by the local finance agents gives insight into how North East entrepreneurs embody the social relations of equity differently to investors and come to operate in dissimilar money cultures.

Only two entrepreneurs mentioned they had positive experiences of working with Entrust. One of these was an entrepreneur who had been seeking finance for about six weeks and I suspect had minimal financial knowledge regarding the worlds of money and equity.

7.3.2.2 Investor Forums

Of the eight entrepreneurs that mentioned their experiences of presenting at Investor Forums they did not perceive these events as beneficial or likely to improve their chances of securing equity. Table 7.1 gives a breakdown of the multiple comments the entrepreneurs made.

Table 7.1 Entrepreneurs' Perceptions and Experiences of Investor Forums

Number of Entrepreneurs	Perceptions and Experiences of Investor Forums
5	Low attendance of Investors
2	Concerns over age and profile of investors
2	Poor quality of other entrepreneur presentations
2	Had interest and positive feedback

One quarter of North East entrepreneurs observed the low attendance or 'dearth' (Flynn Thornton) of investors at Investor Forum events which concurs with my own observations. I feel this figure is not higher because entrepreneurs only present once so they have no base for comparison and limited financial knowledge. The sparse attendance meant entrepreneurs felt cheated and misled and hindered their chances to secure equity. Callum Quinn for example told me that at Investor Forums, 'they allegedly have a list of business angels in this region whom were meant to turn up to the presentation that I did, but the low turn out meant we were on a hiding to nowhere from the start' (Callum Quinn). Robbie Richardson also felt Entrust should have been 'more up front about who was going to be there'.

Concurring with my own observations was Christopher Myles who noticed that 'there seemed to be a lot of people from Entrust there' in relation to actual investors at Investor Forums. Flynn Thornton noted that at his Investor Forum the amount of people in the room with 'real money' (Flynn Thornton) to invest was 'very weak' (*ibid*) while Alfie Klein felt that of the few finance agents that attended Investor Forums, most 'weren't really using it for the right reasons' rather they wanted to 'tout their own services' (Alfie Klein). Robbie Richardson was frustrated too that he 'didn't meet people who were prepared to put money into risky businesses' and felt that 'Entrust are probably far more interested in just getting bodies on seats'. While there were also touts at Springboard the lack of investors at Investor Forums arguably made these touts more obvious.

The low turn out by investors at Investor Forums, the reasons of which were discussed in chapter 5, meant entrepreneurs did not have a positive learning experience or gain any added value at these events: unlike their East Midland counterparts they had fewer chances to access feedback about their presentations, add to their stock of financial knowledge or forge contacts locally or non-locally. Christopher Myles, for example, told me that at his Investor Forum 'I really expected to learn something from the evening and I didn't to be honest'. I suspect that entrepreneurs would be unlikely to recommend Entrust to other entrepreneurs.

Other comments by local entrepreneurs about Investor Forums included references to the age and work profiles of the investors and the quality of other entrepreneurs' presentations. Two entrepreneurs felt the average age of the investors at investor forums 'was higher, you know forty, fifty plus' (Christopher Myles) and have worked in either 'manufacturing and production or something like that' (Robbie Richardson). Both entrepreneurs anticipated this would affect their chances to secure funding for their software companies: Christopher Myles told me that investors who were in business twenty years ago might think 'I didn't need that service or product so why would I need it now?'. Although plausible, these sentiments may reflect that neither Derek or Robbie had secured finance but nevertheless still draw attention to the unsuitable biographies of the professional finance agents to promote and support local entrepreneurship (Mason and Harrison 2002)

Two entrepreneurs that had both secured finance felt the presentations made by other entrepreneurs at Investor Forums were poor. Flynn Thornton was 'sitting there thinking if I was an investor I wouldn't go anywhere near' two of the presenters. Cherry Georgia agreed and at a different Investor Forum was shocked by the 'naivety of two of the presentations' she witnessed. While I suspect these perspectives are a situated reflection of those entrepreneurs who have already secured funding and are likely to be aware of the requirements and expectations of investors, these observations provide evidence that entrepreneurs and investors in the North East operate in separate money cultures and that local entrepreneurs receive substandard advice at Entrust hindering their chances to secure finance.

7.3.3 Business Angels

The two samples of regional entrepreneurs had dissimilar opinions on the business angels that operated within their region. Although the business angels in the East Midlands tended to operate on a friendship and word of mouth basis they appear to be considerably more active than the official Business Investors Group in the North East. I found this out when Issac Greene mentioned the fifteen business angels that had invested in his cancer treatment business and referred to them as part of the 'Derby mob'. This finding concurs with Jack Oliver who alluded to a set of less visible and 'very low key' investors in Derby that are 'very much about personal relationships' (Jack Oliver). Jack only knew about this set of investors when he 'accidentally' found some of their paperwork on his mother-in-law's dining room table who acts as a secretary to one of the investors.

Although North East business angels were more visible by their regular attendance at Investor Forums, and were up front about their membership of BIG, overall they were perceived by North East entrepreneurs as greedy, controlling and had work histories that suggested that they had not necessarily been successful entrepreneurs themselves. Five entrepreneurs perceived business angels in the North East as 'just greedy' (Heath Carson) who want to profit from an existing business rather than adding value and expertise. In Alfie Klein's experience he felt business angels 'are actually looking for quite a bit larger stake than most people would want to give up' and explained how one North East business angel had propositioned him with a 'reasonably aggressive offer' which he rejected: the angel wanted sixty percent of his business. The second theme North East entrepreneurs mentioned was that business angels want to take control of a business. Four entrepreneurs were concerned that business angel investment would compromise the owners control over the business. Heath Carson told me he would only take equity on board

'...if the investor wanted to manage the business in a very supervisory role, give us guidance and leave the running of the business to me and my business partner...'

When I probed Heath and asked if he felt that venture capitalists necessarily want to have control he replied 'that's the perception that we have yes' although where Heath had got such a perception from I did not inquire.

Three entrepreneurs felt business angels wanted to generate consultancy fees rather than invest in the business. This concurs with Aaron Lawrence's experiences outlined in Chapter 5. After Ned Dixon presented at Investor Forum a business angel showed interest but as far as Ned could see he 'was more interested in selling his services as a consultant'. Callum Quinn concurred, from his perspective business angels often want to invest...

'...say fifty thousand pounds, then work for the business and in the first year draw out thirty or forty thousand pounds from that business leaving a net ten or twenty thousand pounds...' (Callum Quinn)

As mentioned by the professional finance community in the North East, three entrepreneurs regarded the work history and backgrounds of the business angels with suspicion. Alex Bennett was dubious of how business angels had 'earned' their business angel status and felt that the 'irony' was that 'when you look at their history and CV' the way business angels have secured their money is not always through running successful businesses of their own but instead 'either through inheriting something or by selling property' (Alex Bennett). Alex suggests that the 'angels' will have 'dabbled in business they would have done it in a real comfort zone'. If correct, this may explain why Alfie Klein felt that the business angels he has met have so far 'been quite novice and haven't necessarily done it before' which could also be symptomatic of their relative inactivity in making investments. Only one entrepreneur made any positive reference to the BIG group because they had given him 'a load of good advice' (Robbie Richardson) for free though at the time of interview Robbie had only been seeking finance for about a month and his experiences with BIG may have been provisional and limited.

In short, North East business angels did not appear to be particularly trusted by local entrepreneurs, nor were they seen to possess commercial business acumen compatible with fostering and leading successful regional entrepreneurs. Given that North East

business angels are seen to operate in separate money cultures by the professional finance community and local entrepreneurs this is convincing evidence to suggest that some of the profiles of investors at BIG do not align with those of classic venture capitalists suggested by Mason and Harrison (2002) but instead more aligns with the profiles of merchant venture capitalists who are more concerned with deal crafting and financial engineering rather than with adding value to businesses and promoting entrepreneurship through their own experiences as entrepreneurs.

7.4 Impacts on Regional Entrepreneurs

This section is concerned with impacts. It is concerned with examining if the different regional preparation processes and institutional support infrastructure I discussed in chapter 5 in each of the case study regions makes a difference to the kinds of financial knowledges that local entrepreneurs embody and materially affects local entrepreneur's chances of securing equity. Exploring the attitudes that each sample of entrepreneurs has to giving up ownership to secure equity and the key sections of a business plan from an investors perspective, will provide a partial insight into what extent entrepreneurs and investors in each region operate in similar money cultures and how finance gaps are produced at the local level.

7.4.1 Equity

During my research I asked all entrepreneurs how they felt about giving up part ownership of their company in return for equity finance. This is because if entrepreneurs are reluctant to give up ownership it may be a problem for them to successfully secure finance. Table 7.2 gives a breakdown of the attitudes entrepreneurs in both regions had to giving up ownership.

Table 7. 2 Attitudes to Giving up Equity

	East Midlands	North East
Understood & Willing	14	15
My Baby Syndrome	3	3
Reference to Control	2	2

†1 person was funded elsewhere in the East Midlands and did not answer question

A similar amount of entrepreneurs, about three quarters in both regions, were willing to give up part ownership of their company in return for equity. Responses such as 'fine' (Connor Brooks) 'totally relaxed' (Alex Bennett) 'I have no problem with it' (Mile Capaldi) and 'its name of the game' (Bill Lambert) typified the attitudes in this category. For these entrepreneurs their understandings and expectations are compatible with investors and may not be a barrier for them to intersect with investors, and implies other reasons why some of these entrepreneurs are yet to secure finance.

Far smaller but similar amounts of entrepreneurs in both regions highlighted their emotive attachments to their business which meant they were more reluctant to give up part ownership of their company. These emotive attachments could be classified as 'my baby syndrome' by which I mean entrepreneurs who feel their business is as precious as a baby they have created and nurtured and are therefore reluctant to hand over some of their 'child' to an investor. Of the six entrepreneurs spanning both case study regions that were against giving up equity, responses such as 'if you have done the blood sweat and tears why should you give somebody the cream' (Cherry Georgia) and 'well having gone through all the anguish and hard work I would be very loath to give up any equity of mine' (Samuel Brewer) typified the responses in this category. For agents with emotive attachments it may be more difficult for them to do business with investors because of incompatible expectations.

Four entrepreneurs across both regions were reluctant to lose control of their business if they received equity funding. Ryan Harley told me that 'obviously the main concern is about losing control of the business' if an investor was involved. Ewan Channel echoed this opinion,

'...once you start giving bits of the company away you can see a situation where you are just working for somebody else which is what you set out to avoid in the first place...'

At the time of interview none of the four entrepreneurs concerned with losing control had secured equity investment. This evidence could suggest that these entrepreneurs do not embody entirely similar financial knowledges to their professional counterparts which therefore makes it difficult for them to intersect and do business with investors, although I acknowledge that the actual numbers are small.

7.4.2 Business Plans

This section will highlight the significant information asymmetries between the two regional sets of entrepreneurs in terms of their understandings about the requirements of business plans, the document read by investors that includes information on different aspects about the entrepreneurs business. During my research I asked entrepreneurs what they considered to be the key sections to see how similar entrepreneurs and investors understandings were. In my previous research (Wray, 2003), I found that the three key sections of a business plan, from the perspective of investors, are information on the management team, market data and the executive summary. Although I did not ask what finance agents perceived as the most important section on a business plan to both samples of professional finance agents in this research, four North East finance agents interviewed for this research also contributed to my previous research in Wray (2003). These previous findings have influenced how I categorised the responses that I received from the entrepreneurs.

Table 7.3 gives a breakdown of the responses concerned with business plans. A response that would typify an entrepreneur to be put in the second category 'wrong but confident' would be Braydon Bailey who when asked to cite the key sections responded 'yeah, forecasts, profit and loss, balance sheet, also the ideas and potential customers'.

Table 7.3 Business Plan Sections Cited Correctly

Cited the Three Key sections on a business plan	East Midlands	North East
Got Straight Away	11	3
Wrong but Confident	7	12
Unsure	2	3

†Due to time issues I did not ask this question to two entrepreneurs in the North East.

Significant differences existed regionally between those entrepreneurs able to cite correctly the key sections on a business plan. Only fifteen percent of entrepreneurs in the North East, but fifty five percent of East Midland entrepreneurs could cite the correct sections on a business plan. Therefore, East Midland entrepreneurs are far more knowledgeable about the key sections that investors require which, if put into practice on their own business plans means East Midland entrepreneurs have a greater chance of securing equity.

Twice the amount (66%) of North East entrepreneurs than East Midland entrepreneurs were confident they could cite correctly the key sections of a business plan but were unaware that they were incorrect. Consequently over half of North East entrepreneurs have either not been informed, forgotten information or have been misled and are therefore submitting, or intending to submit, business plans that are not compatible with investor expectations thus hindering their chances to secure equity investment.

I argue that these different regional information asymmetries are direct reflections of the quality and quantity of training provided for entrepreneurs between the two case study regions. The notable information asymmetries in the financial knowledges that North East entrepreneurs embody reflects the lack of a formal and coordinated training course that local entrepreneurs have the opportunity to attend, hosted by an intermediary or otherwise. Meanwhile, the substandard quality of mentoring that is provided at Entrust and the lack of feedback provided by NEL perpetuates information asymmetries about the requirements of investors. Although Catapult does not supply feedback to local entrepreneurs, the less stark information

asymmetries amongst East Midland entrepreneurs I argue reflects the high calibre of mentors that advise entrepreneurs on the requirements of business plans and who transfer up to date financial knowledge to the entrepreneurs to make them more attractive to potential investors. Consequently more East Midland entrepreneurs operate in similar money cultures to their investor counterparts than North East entrepreneurs do. I therefore argue that via these findings finance gaps in the North East are not necessarily produced by a mismatch in the demand and supply of equity, but instead are culturally inflected. They are underpinned and reproduced by the dissimilar ways that entrepreneurs and investors embody the social relations of equity in the North East. The similar financial knowledges embodied by East Midland entrepreneurs and investors suggests that finance gaps in the East Midlands are underpinned by a mismatch in the demand and supply of equity, given the paucity of indigenous equity in the region's financial architecture (Chapter 3, figure 3.6).

7.5 Connectivity

Continuing the theme of analysing networks relationally, I was keen to explore to what extent entrepreneurs engage with non local investor networks to try and increase their chances of securing finance.

7.5.1 Entrepreneurs Engagement with Non Local Investors

Both regions have entrepreneurs that engage with non local finance agents and investor networks but do so in different ways. Before highlighting these different ways, table 7.4 divides entrepreneurs across both regions that are either planning or actively undertaking non local engagement in their quest to secure finance and those that are doing neither.

Table 7.4 Number of Entrepreneurs Planning and Undertaking Non local Engagement with Non Local Finance Agents/Investor Networks

	East Midland Entrepreneurs	North East Entrepreneurs
Planning non local Engagements	1	1
Undertaking non local engagements	13	7
Doing Neither	6	12

There are nearly twice as many entrepreneurs in the East Midlands that engage non locally than in the North East (Table 7.4). Furthermore of the entrepreneurs that do engage non-locally, the nature and type of this non local engagement undertaken in each region is dissimilar, which I argue affects their chances to secure finance and be investment ready.

East Midland entrepreneurs appear to undertake more proactive, deliberate and coordinated activity to engage with non local finance agents and investor networks. Although I acknowledge that the financial architecture of the region may underpin this, examples of this behaviour include attending and presenting at Investment events in either Cambridge or Oxford or belonging to non-local specialist networks. Of the seven North East entrepreneurs that engage beyond the region these appeared to be more sporadic, one off, or accidental in nature. This leads me to suggest that East Midland entrepreneurs appear to attach more value and importance on forging and sustaining non local contacts than their North East counterparts. To support this claim table 5 gives a selection of tangible events and specialist networks that seven entrepreneurs in the East Midlands attend and reflect what I consider to be a more coordinated and sustained commitment to forging relational complementarities and relational proximity with non local finance agents and networks.

Table 7.5 shows that four entrepreneurs attend events in Cambridge and a further two in Oxford. I argue this serves to facilitate entrepreneurs to access up to date financial knowledge from some of the most economically dynamic parts of the Country.

Table 7.5 Events that East Midland Entrepreneur Entrepreneur's Attend Non-Locally

Name of Respondent	Event Attended or membership to network	Location
Olivia Shannon	Investor Evening at Library House	Cambridge
Issac Greene		USA, and Oxford,
Bill Lambert	SMART club GEIF ONION	Cambridge Cambridge Oxford
Aidan Keating	Live the Dream Entrepreneurs Conference	Cambridge
Kit Madden	GEIF	Cambridge
Billie Brown	Entrepreneur Breakfasts	Birmingham
Glen McBride	Seminars hosted by Solicitors	Bristol and Birmingham

Aside from attending specific events, other East Midlands entrepreneurs have employed or continue to employ practices that stretch beyond the region to increase their chances of securing finance. For example, Ewan Channel wrote to all of the Premiership Chairmen about his football technology and a meeting was arranged with the Chairman of Southampton FC at the time of interview; Kit Madden attends board meetings of another company he is involved with in Oxford and Nell Paige has a London based business mentor assigned to her through Invored. I argue that these examples (Table 7.5) and those in Table 7.4 suggest East Midland entrepreneurs tend to think and act in less regionally bounded ways.

The observed behaviour of East Midlands entrepreneurs serves to problematise the spatial aspects of knowledge flows by suggesting that agents do not have to be physically proximate to intersect or share knowledge but can do so instead through relational spaces. It also suggests that external relations can help secure and produce economic change (Yeung 2005). Arguably, the non local engagement undertaken by East Midland entrepreneurs adds to both the pre-existing rich ecology of non local interaction and 'relational advantage' (Yeung 2005) that is forged and maintained by the professional finance community in the East Midlands discussed in chapter six.

Some examples of the sporadic and accidental non local engagement displayed by North East entrepreneurs included Leo Lennon who was invited by a large public company to attend the biggest commercial property exhibition in the UK which attracted numerous venture capitalists; Callum Quinn who applied to NESTA (National Endowment for Science, Technology and the Arts) located in London for finance; Joe Parrish who has a 'distant friend who is a venture capitalist in Newbury' (Joe Parrish) and Piers Bishop based in Newcastle University who has a 'three year relationship' with a venture capitalist forged via university agents. Although these ad-hoc non-local forays may supplement entrepreneurs financial knowledge, the geographical spread of these contacts, coupled with the more fleeting and ad hoc nature of these contacts could imply firstly, that North East entrepreneurs are not gaining access to financial narratives from the most economically dynamic parts of the country. Secondly, even acknowledging the strength of weak ties (Grabher 2004) the chance nature of these encounters I argue, does not foster the conditions to foster relational proximity (Amin and Cohendet) or relational complementarities (Yeung 2005) with non local investors and networks. The North East entrepreneurs patterns of non local engagement serves to reinforce the sparse ecology of non local interaction and absence of relational advantage I observed within the North East professional finance community.

Only two entrepreneurs in the North East have undertaken sustained and deliberate action to engage with non local finance agents. These were Flynn Thornton who secured six hundred thousand pound of equity from a venture capital fund based in the North West and Willow Valentine from Durham University who mixes with investors at specific events in Scotland arranged specifically for university spin outs.

7.5.1.1 The lack of non local contacts

A cluster of entrepreneurs across both regions did not engage non-locally to try and secure finance. Table 7.6 gives a breakdown of the reasons why not.

Table 7.6 Reasons for Agents Not Engaging Non Locally

	East Midland Entrepreneurs	North East Entrepreneurs
The lack of time	3	0
Have already secured finance	1	2
New start up	0	4
Too difficult and challenging	0	1
Wants local funding	0	1
Did not elaborate	2	4

The main reason why East Midland entrepreneurs do not engage non locally was the perceived lack of time to devote to networking non locally with investors 'its more important to be in contact with customers for your business to succeed' (Braydon Bailey). Reasons varied as to why twelve North East entrepreneurs do not engage non-locally, Heath Carson was adamant that he wanted 'to be funded by a North East company' and reflects a spatially bounded perspective on securing finance, although as previously discussed the plethora of funds in the North East that can only be invested with the regional boundaries so such a bounded perspective is not necessarily surprising. Four North East entrepreneurs were relatively new start ups and had only recently started to seek finance so were yet to exhaust all the regional avenues to secure finance before engaging non-locally. Apart from the three entrepreneurs that had already secured finance, all of the entrepreneurs that did not engage non-locally were yet to secure finance. This is persuasive evidence to suggest that engaging non locally makes a difference to the chances of securing equity (Yeung 2005).

The level of non local engagement that each set of regional entrepreneurs undertook was similar to their professional counterparts. As I demonstrated through my relational geometries (Chapter 5, figure 6.1) professional finance agents in the East Midlands had a myriad of connections to non-local investor networks and attached value to forging and sustaining these connections. Similarly sixty five percent of East Midland entrepreneurs also attached value to forging and engaging with finance agents at a distance. By contrast, sixty percent of North East entrepreneurs appeared relatively isolated and cut off from non-local investors and finance networks. This was similar, though not identical, to the pattern of non local engagement undertaken by the professional finance community in the North East. Furthermore of the forty percent of North East entrepreneurs that did engage non locally, again similar to those findings amongst the professional finance community, the nature of this was sporadic and ad hoc.

The nature and level of non local engagement undertaken by East Midland entrepreneurs is compelling evidence to suggest they are less dependent on the regional intermediaries to secure finance on their behalf. Instead through the 'right' and 'appropriate' training Invored equip local entrepreneurs with the skills and knowledge to take control of their own agendas in securing finance. That said, the limited supply of indigenous equity funds in the East Midlands may require East Midland entrepreneurs to be more proactive at engaging non locally to access funds and think in less spatially bounded ways than their North East counterparts.

7.5.2 Entrepreneurs Engagement With Other Local Entrepreneurs

I also asked entrepreneurs if they mixed with other local entrepreneurs who were seeking finance, *aside* from those they unavoidably met at either Investor Forum or Springboard. This was to gauge if local entrepreneurs felt they benefited from each others co-location by using each other as a resource to share financial knowledge or help each other navigate the financial landscape.

Table 7. 7 Number of Entrepreneurs mixing with other Entrepreneurs seeking finance

	East Midlands Entrepreneur Responses	North East Entrepreneur Responses
Cut off from other entrepreneurs.	9	15
Actively mixed.	10	5

My findings suggest that twice as many East Midland entrepreneurs mixed with local entrepreneurs than their North East counterparts (Table 7.7). This reinforces my assertion that East Midland entrepreneurs are better connected and networked than their North East counterparts, and that local entrepreneurs display similar characteristics to their professional counterparts in their level of interaction and communication with one another. Of those entrepreneurs that did mix with other local entrepreneurs they did so in both similar and different ways (see Table 7.8).

Table 7.8 Ways in Which Entrepreneurs Mixed With Other Entrepreneurs

	East Midland Entrepreneurs	North East entrepreneurs
Pre-existing friends and customers	1	2
Based in a business incubator	2	1
Membership to specialist network	2	2
Attending specialist events	3	0
SMART club	2	0

Although there are similarities in the strategies for mixing with other entrepreneurs I argue that East Midlands entrepreneurs still remain more proactive. Three times as many entrepreneurs in my East Midlands sample attend specialist events to mix with

local entrepreneurs which require affirmative action such as registering to attend. Even though I acknowledge the actual numbers are very small it still suggests that these entrepreneurs feel they benefit from, and attach importance to, face to face contact with other entrepreneurs. The ways in which North East entrepreneurs tend to mix with other entrepreneurs requires less effort and is done via more unavoidable and inevitable ways, such as sharing kitchen facilities or conference spaces with entrepreneurs in incubation units or seeing friends and customers. It is also important to be mindful that entrepreneurs may interpret my questions differently. Not all entrepreneurs interpret the same event in similar ways. For example, Rhys Fox who told me he 'doesn't bother networking' still attends SMART club, yet Bill Lambert and Louise Barnaby who also attend SMART club attach value the meeting because it 'provides very good opportunities to compare notes with other people in similar situations to ourselves' (Bill Lambert) again, compelling evidence that some entrepreneurs benefit from each others co-location within the financial milieu.

Of those entrepreneurs that do not mix with other local entrepreneurs Table 7.9 provides a breakdown of the reasons why not.

Table 7.9 Reasons for not Actively Mixing with Other Entrepreneurs

	East Midland Entrepreneurs	North East Entrepreneurs
Did Not elaborate	2	9
Lack of events to attend	0	3
Dislikes 'small talk'	1	0
Lack of time	0	3
Perceives other businesses as gimmicky	3	0
Secured finance (but has entrepreneurial friends)	1	0
Perceived other entrepreneurs as competition	2	0

A bigger variety of reasons were provided by East Midlands entrepreneurs unlike the nine agents in the North East that did not elaborate on why they did not mix with fellow local entrepreneurs. In the main, this is because as the research progressed, and the theme of connectivity became more central to my research, I was more demanding for answers in my interviews with East Midland entrepreneurs. Seventy five percent of North East entrepreneurs and forty five percent of East Midlands entrepreneurs did not appear to attach value to interacting with local entrepreneurs or perceive themselves to benefit from each others co-location. This is evidence to suggest that proximity and co-location does not necessarily produce interactions or connections amongst similar agents. The only cross cutting theme across both sets of entrepreneurs was concerned with the lack of time entrepreneurs felt they had to devote to mixing with other entrepreneurs. Two out of the forty entrepreneurs I interviewed did not mix with other entrepreneurs because they perceived themselves to be in competition with each other. I argue that this figure is not higher because of the heterogeneity of entrepreneurs who cross cut along a plethora of different axes and are plugged into their specific industrial sector.

There are three plausible arguments as to why three North East entrepreneurs perceive there to be a lack of events to attend in the region (Table 7.9). Firstly the fractured and competitive nature of the North East professional finance community makes it difficult to host events. Secondly, because North East entrepreneurs appear less proactive at forging connections, their perception of a lack of events to attend could be a way of entrepreneurs rationalising their inactive behaviour. Thirdly, given that North East entrepreneurs are relatively isolated from both other professional finance agents and entrepreneurs, they may not get to hear about investment events. Finally, unlike at Springboard events where on two occasions I saw entrepreneurs who had presented at past Springboard events, I did not observe past presenters from Investor Forums attending subsequent Investor Forums. This may reflect the buzz (Bathelt *et al*, 2004) and benefits those entrepreneurs in the East Midlands feel they accrue from Springboard.

7.6 Conclusion

By engaging with regional entrepreneurs about their experiences of seeking finance and being prepared to be investment ready this chapter has been able to demonstrate how the different regional institutional architectures, preparation processes and norms that characterise each of the professional finance communities have profound material affects on entrepreneurs.

Based on evidence presented in this chapter East Midlands entrepreneurs significantly benefit from the institutional thickness (Amin and Thrift 1995), buzz and stock of localised capabilities territorially embedded in the local financial milieu (Bathelt *et al* 2004). Meanwhile, the institutionally thin terrain of the North East alongside the fractured finance community and absence of local buzz served to disadvantage local entrepreneurs being able to secure finance and made it difficult for them to navigate the local financial landscape.

The dissimilar socio-economic configurations in each region also affected the types of financial knowledges that local entrepreneurs embodied. The high quality mentoring that East Midlands entrepreneurs received through the structured and well managed program at Invored meant they embodied similar financial knowledges and operated in similar money cultures to professional finance agents. One of the ways this could be seen was how fifty five percent of entrepreneurs understood correctly the required sections on a business plan. Meanwhile the lack of an official investor readiness program in the North East alongside the substandard agents delivering sporadic investor training meant that, unknowingly, North East entrepreneurs were being misinformed and misled. This led them to embody partial and incomplete financial knowledges and operate in separate money cultures to investors. This was apparent when over half of North East entrepreneurs were submitting or intending to submit business plans not compatible with investor expectations.

I argue that examining the financial knowledges that the agents involved in lending embody provides an insight into the dynamics that underpin and reproduce finance gaps at the local level. I also assert that finance gaps are more culturally nuanced and

inflected than previously suggested by research on venture capital and regional development.

The supportive and cohesive environment in which East Midlands entrepreneurs are seeking finance is producing entrepreneurs who not only find the financial landscape easy to navigate, but who are less dependent or reliant on the financial intermediaries to secure finance on their behalf. Rather the socio-institutional architecture equips entrepreneurs to control their own quest to secure finance and posses the 'power to' secure outcomes themselves. The most persuasive evidence to support this claim could be seen by the level and nature of non local engagement undertaken by East Midlands entrepreneurs. East Midland entrepreneurs attached value and importance to engaging non-locally to increase their chances of securing finance and did so in a proactive, deliberate and sustained way. A by-product of this non local engagement was that entrepreneurs were likely to be accessing up to date financial knowledge produced from the most economically dynamic parts of the country. This draws attention to how physically distant agents are still able to intersect and share economically valuable knowledge at a distance and connections do not necessarily have to be rooted to a particular locale. In maintaining and forging these distant connections East Midland entrepreneurs were forging relational proximity to non local investors and networks which added to the pre-existing relational advantage of the East Midlands finance community demonstrated in chapter 5. Admittedly, the lack of funds in the East Midlands may necessitate entrepreneurs to engage non-locally.

The broken up professional finance community in the North East made it difficult for local entrepreneurs to navigate and understand the local financial landscape. Local entrepreneurs did not always know where or how to seek finance and lacked knowledge about the rich supply of funds in the region. By virtue of the North East's institutional milieu and lack of investment training, North East entrepreneurs were less well equipped or autonomous to control their own quest to secure finance, and instead are dependent on a substandard intermediary to secure finance for them on their behalf. Of the seven entrepreneurs that did engage non locally it was done so in an ad-hoc or sporadic way which did not create the conditions to develop relational proximity to non local investors or add to the North East's relational advantage.

Again, the rich supply of finance within the region may encourage such a paucity of non-local engagement.

Comparing the level of local and non-local engagement between the two sets of regional entrepreneurs and their respective professional financial agents(chapters 5 and 6) provided commanding evidence that both sets of local entrepreneurs partly enact and mirror the behaviour of their respective local finance agents. This suggests that the level of connectivity of the professional finance agents does indeed make a difference to the ability of local entrepreneurs to secure finance and access financial knowledge.

Conclusions

8.1 Introduction

The aim of this chapter is to draw together the key conceptual and empirical findings arising from this research and produce some general conclusions on the practices and processes of the venture capital industry in the East Midlands and North East of England. After reciting the research aims and summarising how my research has answered these, I move on to discuss how these findings relate to broader academic debates about venture capital and regional development. Here, a discussion of the relationship between territory, networks and structures will be outlined where I emphasise the important role that territory plays in shaping topological networks. The final section of this chapter will highlight implications for future policy and emerging research agendas.

As outlined in chapter one, this research sought to answer three questions:

1. What ecologies of interaction and socio-institutional architectures characterise the professional finance community in the East Midlands and North East?

- To what extent and in what ways does the co-location of finance agents within regions produce localised capabilities?

2. What is the spatial reach of these ecologies of interaction in the two study regions?

-What are the mechanisms by which financial knowledge is transmitted across and within monetary networks?

3. In what ways do these ecologies of interaction and regional socio-institutional architectures affect how local entrepreneurs navigate their local financial landscapes, become 'investment ready' and ultimately obtain venture capital?

8.2 Summary of Research Findings

8.2.1 Ecologies of Interaction and Socio-institutional Architectures

Chapter 5 demonstrated that each regional finance community operated in different ways in terms of their ecologies of interactions, their norms and values and their socio-institutional structures.

The dynamics and behaviours of the East Midland finance community were similar to those found in successful agglomerations: A high quality buzz characterised the finance community and finance agents benefited from the co-location of other finance agents in similar and complimentary occupations/endeavours. Finance agents were bound together through a variety of linkages, weak ties, traded and non traded interdependencies, which produced a dense ecology of local communication and interaction. The reciprocal arrangements between finance agents, and a willingness to share and circulate high quality expertise produced an embedded stock of localised capabilities within the financial milieu that were regularly drawn on by finance agents to achieve certain outcomes or react to gaps in provision or demand such as the virgin investor workshops or high calibre professional finance agents teaching on the Invored Scheme. The similar financial knowledges and shared common purpose embodied by the East Midlands finance agents indicated that the community could be conceptualised as a collegial Community of Practice.

In stark contrast, a sparse ecology of interaction and communication characterised the socio-institutional architecture of the North East finance community. Finance agents operated in isolation and separately from each other. The absence of interdependencies and reciprocal arrangements between the regional institutions and agents, alongside the norms that characterised the professional finance agents (mistrust, hostility suspicion and competition) stunted the development of a stock of

territorially embedded localised capabilities and buzz being developed within the local financial milieu. Unlike their counterparts in the East Midlands, North East finance agents did not appear to benefit from each others' co-location and physical proximity; North East finance agents did not accrue any advantages by 'just being' within the local milieu or being in close proximity to other finance agents in complimentary endeavours or occupations. North East finance agents embodied dissimilar financial knowledges, operated in separate money cultures, and were not bound together in any collective endeavour, they could not be seen to operate as a Community of Practice.

8.2.1.1 Institutional Architectures

Each finance community had dissimilar socio-institutional architectures which shaped and influenced their ecologies of interactions. There was a slightly thicker institutional structure in the East Midlands in terms of the plethora of support institutions and ties that existed between these agencies, particularly to Connect Midlands. This served to cultivate and consolidate the dense ecology of interaction and innovation in the East Midlands finance community. It also increased the institutional capacity and capabilities of the financial milieu. Finance agents operated in a flexible and enabling institutional architecture that regularly allowed intended outcomes to be realised and secured.

The slightly thinner and heavily state-managed institutional terrain of the North East's finance community underpinned the competition and individualism amongst the professional finance community. An institutionally thin terrain could be seen in the North East's only two major support agencies, Entrust and RTC. The lack of links between these two organisations reinforced the sparse ecology of interaction in the financial milieu. The institutionally thin terrain also posed difficulties for finance agents to secure and realise certain outcomes such as putting on the regional funding road show, or reacting to gaps in training provision for local entrepreneurs.

The dissimilar dynamics and ecologies that characterised each region can partly be attributable to actor level explanations. Within the East Midlands, finance agents were of a high calibre and suitably qualified with relevant work histories to support local

entrepreneurs to become investment ready. The reflexive capabilities of numerous East Midland finance agents alongside the enabling institutional structure, meant agents could both react to gaps in provision or demand and possess the capability to submit applications to create new initiatives such as the BioBater or the continued existence of EMIN to promote entrepreneurship in the region. These activities fuelled the vibrancy of the East Midlands financial milieu and the myriad of connections amongst the socio-institutional landscape.

In contrast and for the most part, North East finance agents did not have appropriate or suitable work histories to foster local entrepreneurs and entrepreneurs felt that they were often misinformed or misled by the professional finance agents in their quest to secure finance. Some professional finance agents seemed either unable or unwilling to react to changing conditions or requirements to plug gaps in provision or demand which suggested they were embedded in a set of 'trained incapacities' (Schoenberger 1997). That said, the institutionally thin architecture arguably contributed to the narrowly defined conceptual and cognitive spaces in which finance appeared to operate in. The trained incapacities and narrowly defined cognitive spaces fuelled the sparse ecology of interaction that I observed in the North East finance community.

8.2.2 Spatial Reaches of the Ecology of Interactions

Drawing on concepts from the relational turn in economic geography and the communities of practice literature I traced the relational networks of finance agents across space to enable a fuller picture of the spatial reach of each finance community's ecology of interaction. This analysis escaped the territorially bounded treatments of the venture capital industry so far undertaken in economic geography and produces a more intricate and spatially refined analysis.

Each professional finance community had dissimilar relational geometries in terms of their connectivity and relational advantage. The numerous heterogeneous connections that nearly all of the East Midlands finance agents had with investor networks elsewhere produced a porous finance community through which money, knowledge and people flowed. This porosity made it difficult to delineate where the finance community started and finished and indicated that the East Midlands finance

community was more of a relational rather than a territorially defined construction. The value and importance that East Midlands finance agents attached to having and maintaining non-local connections allowed relational proximity and complementarities to develop between physically distant finance agents. These connections regularly produced capacities that enabled emergent power and outcomes secured which had material impacts, such as the high level of attendance at Springboard.

The North East's relational geometry demonstrated how finance agents were relatively isolated and cut off from investor networks beyond the region. The lack of porosity in the finance community meant it was easier to delineate where the North East community started and finished by the standard regional administrative boundaries rather than as a relational construction. The self containment of the North East finance community meant that there were few instances of relational complementarities or relational proximity that developed between North East and non local finance agents. A by product of this was that it hindered local finance agents from accessing financial knowledge in relational spaces. The North East had considerably less relational advantage than the East Midlands.

Partly underpinning the dissimilar typologies and ecologies of interaction in each study region were their dissimilar financial architectures (Figures 3.5 and 3.6). The paucity of indigenous public and private funds in the East Midlands prompted, if not necessitated, local finance agents to operate in less territorially bounded ways to be able to secure funds. Meanwhile, the plethora of public venture capital funds, that were fairly equally distributed between various finance agents in the North East and that could only be invested in within the regional boundaries, actively served to discourage local finance agents in engaging beyond the region. This indicates how state intervention, plus the conditions attached to the indigenous funds, serves to reinforce the North East's peripheral and isolated position within venture capital networks and depresses the relational advantage of the local finance community.

Uncovering the strategies finance agents used to keep current and up to date with their network of contacts allowed me to demonstrate empirically the mechanisms by which financial knowledge is moved across and within monetary networks. Simultaneously,

I also accounted for the development of an asymmetrical landscape of financial knowledge: the heterogeneous constellations of agents stretched across space meant that financial knowledge could be shared within relational spaces rather than just at close proximity.

The dense lattice of connections and the strategies that East Midland agents employed to stay current and up to date with non local connections (such as membership of non-local organisations, attending non-local investment events, or by non-local agents attending BioCenral and Springboard) were all spaces where financial knowledge was exchanged between finance agents and ensured continued fluidity and movement in the circulation of financial knowledge between the East Midlands and beyond. 82% of East Midland finance agents had non local contacts located in either Cambridge, Oxford or London and were therefore accessing financial narratives produced in the most economically dynamic parts of the country by those seen to hold the 'discursive authority' (Thrift 1994). This ensured that East Midland agents were up to date with current investment news, reduced information asymmetries, as well as enabling them to operate in similar money cultures to investor networks elsewhere.

The impervious nature of the North East finance community meant there were limited opportunities for financial knowledge to be exchanged and circulated, particularly from the most dynamic parts of the country. This served to produce information asymmetries about other investment contexts and their activities which meant that local finance agents did not always operate in similar money cultures to investors elsewhere.

8.2.3 Impacts for Entrepreneurs

This research demonstrated how the combination of the different socio-institutional architectures, preparation processes, and biographies of the professional finance agents in each study region had profound impacts on local entrepreneurs. In relation to their East Midland counterparts, North East entrepreneurs were significantly disadvantaged in terms of their ability to secure finance, become investment ready, and navigate the local financial landscape.

8.2.3.1 A supportive and easily navigated financial landscape?

The affects of the institutional thickness, high quality buzz and stock of localised capabilities in the East Midlands meant local entrepreneurs felt mostly supported by the plethora of support agencies promoting entrepreneurship. The dense linkages amongst the institutional architecture meant that local entrepreneurs found the financial terrain easy to navigate. Meanwhile, the institutionally thin and fractured socio-institutional terrain of the North East meant that local entrepreneurs often found it difficult to navigate the local financial landscape. Nor were local entrepreneurs necessarily passed onto Entrust due to the way in which the organisation is perceived by the professional finance community. Therefore, when this happened it took longer for some entrepreneurs to 'find' Entrust.

8.2.3.2 Preparation, financial knowledges and money cultures

The quality and quantity of investment training that the two samples of entrepreneurs received was very different and had profound material affects on their ability to secure finance. East Midland entrepreneurs recognised and felt that they benefited from the high calibre of advice at Connect Midlands and most were aware of the requirements and expectations of investors. Of the eight North East entrepreneurs that had received some training by Entrust, this advice was perceived as generic, poor quality and did not increase their ability to secure finance or become investment ready. One of the ways in which the regional differences in the quality of training manifested itself was in terms of local entrepreneurs understanding of the key section in a business plan. Over half of East Midland entrepreneurs, but only 15% of North East entrepreneurs, could cite the key sections correctly but the substandard or lack of investment training for North East entrepreneurs meant they did not always realise this. The lack of feedback provided by the fund managers at each RVCF, highlights the critical importance of good quality regional intermediaries to educate local entrepreneurs.

North East entrepreneurs were significantly disadvantaged in relation to East Midland entrepreneurs in embodying similar financial knowledges and operating in similar money cultures to their professional finance counterparts due to the institutional environment in which they were being supported by. Once trained and armed with

appropriate and high quality financial knowledge, East Midlands entrepreneurs were less dependent on their professional financial counterparts to secure finance for them on their behalf and instead had the 'power to' secure it themselves. North East entrepreneurs, meanwhile, were more dependent and reliant on their professional counterparts because they lacked the appropriate skills, financial knowledge and 'power to' secure finance.

8.2.3.3 Attendance at Investment Events

The dense connectivity of East Midland finance agents was evident their ability to generate a large audience of investors for Springboard events. This served to increase the chances of local entrepreneurs of securing finance but also receiving feedback on their presentations, access to up to date financial knowledge and local and non-local contacts. Overall, local entrepreneurs felt that Springboard was a worthwhile event to attend and present at.

The sparse connections that North East finance agents had, coupled with the fact that Entrust did not anchor the local finance community, meant North East entrepreneurs presented to a small audience at Investor Forums. This served to hinder the chances of entrepreneurs to secure finance, access feedback on their presentations or forge connections. Overall local entrepreneurs felt that Investor Forums were not a worthwhile event to pitch at. These findings indicate how the dissimilar ecologies of communication and interaction amongst each sample of professional finance agents does indeed make a difference to the ability of local entrepreneurs to become investment ready and secure finance.

8.2.3.4 Enacting Cultures

A final impact was that each set of regional entrepreneurs partly enacted and mirrored the cultures and behaviours of their professional counterparts. There was a higher occurrence of sustained and deliberate non local engagement to access equity and up to date financial knowledge by East Midlands entrepreneurs. Half of East Midlands entrepreneurs attached value to engaging locally with other entrepreneurs also seeking finance. This behaviour partly mirrored that of the professional finance community

and added to the rich ecology of interaction and relational advantage already inherent in the East Midlands financial milieu.

The way in which North East entrepreneurs engaged with investors within and beyond the region, ran almost parallel to North East professional finance agents and reinforced the impervious and self contained nature of the North East finance community. The ad-hoc and sporadic level of non local engagement with non local investors, combined with only a quarter of local entrepreneurs mixing with other entrepreneurs seeking finance reproduced the sparse ecology of interaction in the North East finance community. It also continued to stunt the relational advantage of the North East financial milieu.

8.3 Empirical and Theoretical Contributions to Broader Academic Debates

8.3.1 Problematising Problem Regions

As stated in the introduction, one of the empirical contributions that this research sought to make was expanding the range of locations where the venture capital industry is studied. Deliberately moving the focus away from 'successful' places and engaging with two regions that are not 'star' performers in the UK economy, this research has demonstrated that there is considerable heterogeneity between two 'problem' regions which have similar and low levels of venture capital activity. This foray has allowed me to produce an alternative financial narrative about the venture capital industry in two challenging regional environments. The comparative element in this research revealed how the regional institutional structures, financial architectures and finance agents operating in a region can enable or hinder economic change and local development and can profoundly affect how entrepreneurs secure finance and become investment ready. By expanding the range of locations studied, this thesis has highlighted how the reasons underpinning the persistent underperformance of lagging regions are often multifaceted and more nuanced than represented in the literature. This draws attention to the need to open up the category of the 'problem region' and expose it to a more thoughtful, complex and fine-grained

analysis. In undertaking this research I have asserted the importance of problematising the problem region and the need to build a more solid corpus of empirical work if we are to understand better the reasons underpinning the persistent underperformance of problem and lagging regions (Rodriguez-Pose 2001).

8.3.2 Engaging with Entrepreneurs

The second and original empirical contribution that this research has made was its deliberate engagement with entrepreneurs. To date most studies concerned with venture capital do not normally engage with experiences and opinions of entrepreneurs who tend to constitute the demand side within more traditional discourses around venture capital. By taking the unusual step of examining two samples of entrepreneurs' experiences and comparing them in terms of (i) navigating the local financial landscape and institutional architecture, (ii) their experiences in being prepared to become investment ready by the regional intermediaries and (iii) their experiences in seeking finance, I have remedied this neglect. I have demonstrated that entrepreneurs do have different positioned knowledges in relation to their professional financial counterparts regarding finance and equity funding. Furthermore, the advantage of engaging with two samples of entrepreneurs in different regions has enabled me to empirically demonstrate that the regional socio-institutional architectures and ecologies of interaction undertaken by each professional finance community makes a significant difference in how, if at all, local entrepreneurs become investment ready.

8.3.3 Disrupting the Territory-Network Dichotomy?

As stated in the introduction the theoretical contribution this research sought to make was to provide an alternative way of theorising about the venture capital industry using a relational economic geography approach and escape the territorially bounded treatments of the industry. In undertaking this approach, the theoretical contribution of this research has (perhaps unexpectedly) been to draw attention to the complex interplay of territories, networks and institutional structures in economic geographical literature (Harvey 1989a, 1989b, Hudson 1989, Amin *et al* 2003, Allen 2006). In

particular though, the overall theoretical contribution of this research is that it has highlighted the important role that territory plays in mediating and shaping the topological networks that flow through, in and around a given place. Before extending and developing this claim I briefly want to outline how by drawing on and problematising different bodies of literature I came to this conclusion.

This research has shown how a relational analysis that traces the networks of venture capitalists and their socio-spatial constellations is valuable to produce a more refined, sensitive and less spatially bounded analysis of the venture capital industry.

Recasting the industry as a more stretched out, relational and networked construction has provided new insights into the industry which include; (i) adding agency into debates concerned with venture capital and regional development by examining the strategies, behaviours and financial knowledges venture capitalists embody and how this varies across space: (ii) highlighting how physically distant agents can and do form connections whilst still feeling familiar and near and (iii) highlighting how physically distant agents can share economically valuable knowledge via relational spaces and demonstrated how trust is not a process that can only be delimited to the local scale or associated with relationships based exclusively on face to face interaction. The fourth theoretical contribution of relational analyses to this research is that non local connections and flows can and do indeed act at a distance to enable or hinder economic change in certain localities (Yeung 2005, Harvey 1989a). Emergent power and adaptive capabilities can be derived and secured via non local connections between venture capitalists *and* between venture capitalists and local entrepreneurs.

While the East Midlands was easier to analyse through a relational lens and identified as a relational construction via the myriad of networks of contacts that flow through and within it, the North East finance community was easier to identify, and analyse along fixed territorial contours. This was because of the North East finance community's relative self confinement and isolation from non local investor networks. Therefore, the impervious nature of the North East's financial milieu draws attention to the way in which territory, boundaries and the regions institutional architectures played an important role in mediating and influencing the networks that were produced or absent in the financial milieu.

The other theoretical contribution of this research was to examine if localised capabilities accrue from the co-location of finance agents, by importing and using ideas and concepts from institutional approaches to regional knowledge and learning that are yet to be applied to studies of finance. These approaches assert how agents and organisations involved in similar or complimentary activities within a particular locale are (i) interlinked and connected, (ii) benefit from each others co-location (iii) develop trust and familiarity (iv) produce a stock of territorially embedded localised capabilities (v) able to share tacit knowledge through face to face interaction.

Although my research found that the East Midlands finance community aligned with characteristics seen to be present in successful agglomerations and that localised capabilities did indeed accrue from their co-location, in the North East physical proximity between finance agents was not associated with closeness, familiarity, interaction or collaboration but rather, isolation disconnection and fragmentation. As a consequence the North East's financial milieu did not have a stock of localised capabilities that finance agents drew on to secure outcomes. My research then, has demonstrated how in certain places physical proximity and co-location between similar agents does not necessarily produce localised capabilities, successful associations or means that networks happen and are produced.

Drawing on relational approaches and the institutional approaches to finance, knowledge and learning, my findings suggest the need for a more complex and nuanced consideration of the relationship between networks, territories and institutional structures and an appreciation of the way in which they intersect to produce distinct spatial configurations and outcomes. Acknowledging this interplay enabled a more intricate and subtle theorisation of the production of finance gaps at the local level. My narrative on the development of finance gaps in the East Midlands and North East was only made possible by recognising how territories and networks intertwine rather than operate in isolation. More broadly then, in economic geography and in light of the latest relational turns and movements the discipline is experiencing, territory and networks should not necessarily be seen as competing and separate perspectives but instead are complimentary (Jones and Macleod 2007). Although relational approaches are useful to examine the topological networks stretched across space and the complex spatialities of actor networks and knowledge, the importance of territory should not be discounted in the role it plays in mediating and shaping

topological networks. This is because relational networks are still rooted in territory and are mediated by the complex interplay and distinct spatial configurations of structures, agents and places, which in turn, mediate and influence the quality, quantity and nature of interactions in relational spaces. I argue that it is important to remember that place and geography still matters and that economic geographers should not downplay the role of, and the difference that territory makes in topological approaches.

8.4 Policy Implications and Contributions

Alongside the theoretical and empirical contributions this research has made, it has also revealed some important policy implications. Mainly this has been in terms of how venture capital should be devolved, and the crucial importance of good quality regional intermediaries to help entrepreneurs become investment ready.

8.4.1 Money is Not Enough

Although I commend the government for introducing a supply side solution via the Regional Venture Capital Funds, money alone is not enough to kick start and underpin vibrant entrepreneurial economies.

The considerable diversity and heterogeneity between the two case study regions suggests that increasing the supply of equity does not necessarily increase the number of deals conducted in some places. More consideration needs to be given to the dissimilar socio-institutional context, industrial structures, regional histories and the biographies of finance agents who will manage and invest the money in each region, to ensure that equity is more appropriately harnessed and channelled once it has been devolved. In short, there needs to be more multi-dimensional and nuanced regional venture capital policies that embrace the different socio-economic and institutional configurations rather than national policies being rolled out across regions.

8.4.2 Quality Intermediaries and Investment Training Programmes in the North East

The lack of feedback given to local entrepreneurs by the RVCFs reinforces the centrality of good quality regional intermediaries. As demonstrated in this research such intermediaries are vital to deliver appropriate and quality training to enable local entrepreneurs to operate in similar money cultures to their investor counterparts and thereby secure finance. That said fund managers at the RVCF's should still supply feedback given that it is public money they are investing. While the East Midlands does have an effective regional intermediary this was not the case in the North East.

Based on my findings I feel the North East finance community could draw on elements of good practice demonstrated in the Connect Midlands and Invored model. These lessons include:

- Implementing a well structured Investment Ready programme using high calibre local or non local experts to deliver specific training workshops to entrepreneurs.
- Encourage local finance agents to forge contacts and relational complementarities with non local investor networks.
- Encourage professional agents and institutions to work more effectively with each other and increasing interdependencies amongst the socio-institutional architecture.

Of course, merely improving the Investment Readiness programme in the North East would not be a panacea to increase the level of venture capital activity given the region's social atmosphere and its financial architecture. Indeed, the distinct configurations of structures, agents and institutions in the North East could prove difficult for any regional intermediary to act as a source of coherence within the finance community, draft in expertise and equip entrepreneurs to be investment ready and navigate the financial landscape. That said it is still important that education is

provided in some form to empower local entrepreneurs to make them less reliant on the finance agents to secure finance for them.

8.4.3 Proof of Concept Fund for the East Midlands

The paucity of indigenous equity in the East Midlands could suggest that the region may benefit from a proof of concept fund, which Liam Perry and Eddie Drake argued for. The unique assemblage of localised capabilities, the highly experienced finance agents, alongside the plethora of agencies that support local entrepreneurs embedded in the financial milieu, would provide an adequate socio-institutional structure to ensure the fund was channelled and harnessed appropriately to the needs of the local entrepreneurs. A proof of concept fund in the East Midlands would also provide more appropriate and tailored funding to new businesses than what the RVCFs does currently. A proof of concept fund would relieve the pressure on the RVCF: due to the time and cost of due diligence means the RVCF tends to mobilise larger amounts of equity to be more profitable. Since conducting the empirical research for this thesis, the East Midlands Early Growth Stage Fund has now been established which has five million pounds to be invested in start up and early stage businesses. Similar to the other local and high calibre local finance agents, the lead fund manager for this fund was previously a Commercial Director of a £6m proof of concept fund that commercialised research at the universities of Stanford (in California) and Edinburgh, where he also founded two technology entrepreneurship courses. The increase in the supply of money and even more expertise in the financial milieu could suggest that from a supply side perspective the East Midlands is not lacking in the conditions to promote entrepreneurship.

8.5 Future Agendas for Research

I would like to finish my conclusions by briefly discussing some future areas for research that have emerged as a result of my findings or that I was unable to explore in an already demanding and ambitious methodology.

Firstly, to remedy the neglect of the role that territory plays in mediating and shaping relational networks, and to start to build a solid and empirical corpus of work that analyses the interplay between relational networks and territory, it would be useful to examine in more detail the influence of the physical proximity of the East Midlands to Oxford and Cambridge on the more porous and relationally constructed finance community in the region. The influence that the physical remoteness of the North East plays in accounting for the isolation of North East finance agents from non local networks also deserves attention.

Methodologically speaking there are a number of future areas for research. Firstly, a longitudinal study that follows two or more samples of entrepreneurs in their quest to become investment ready and secure finance. Regularly interviewing samples of entrepreneurs over a given period of time would be useful to examine how, if at all, the financial knowledges they embody change over time, what influences these changes, and if entrepreneurs become more aware of the expectations and requirements of investors. A longitudinal study would also provide insight into just how effective preparation processes are in equipping entrepreneurs to become investment ready. The sample of entrepreneurs could also be organised by sector, age, genealogy, gender or ethnicity to reflect the way in which entrepreneurs are far from a homogenous group, a point I return to shortly.

Secondly, analysing the networks and connections other sets of regional venture capitalists have to investor networks in other regions, or even abroad, would enable a fuller understanding of the soft networks of venture capitalists stretched across space. Furthermore, mapping the relational networks as opposed to constructing abstract geometries, would amplify those finance communities that are more relationally and/or territorially constructed. Even more fruitful would be to overlay this networked construction with each regional financial architecture. This would demonstrate more persuasively how financial architectures, state intervention and territory shape the topological networks of regional finance agents.

Thirdly, to broaden and expand the growing corpus of work that examines how knowledge is shared and managed within relational spaces (Faulconbridge 2006, Hall 2006, 2007) an ethnographic study into how finance agents share and circulate

financial knowledge in relational spaces or conduct deals at a distance would provide an even more intricate study of the spatiality of financial knowledge.

Finally, I concur with, and add to, an agenda that is being developed across multiple disciplines (business studies, entrepreneurship and economic geography) that deliberately engages with the multiple meanings, practices and identities of entrepreneurs as well as the multifaceted experiences that entrepreneurs and owners of SMEs encounter (Pollard 2003, 2007, Ram and Jones 1998, Smallbone *et al* 1993, 1995, North *et al* 2001). Close examination, even ethnographic studies of entrepreneurs seeking finance by age, ethnicity, gender, company genesis, sector or indeed any combination of these cross cutting attributes is vital to understand better the differences or inequalities different profiles of entrepreneurs experience in accessing and appropriating financial knowledge. Such ethnographic studies like Ram and Jones (1998) are useful to reveal the differences between the way different types of entrepreneurs use support agencies in their quest to secure finance, and in exploring how the positionality of different entrepreneurs has an impact on their ability to secure finance and become investment ready.

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Appendix

Appendix 1: Outline of the BVCA classification system for all industries and sectors

Economic Group	Sectors	Sub-sectors
Oil & gas	Oil & gas producers	Exploration, production, integrated oil & gas
	Oil equipment, services and distribution	Oil equipment, services and pipeline
Basic Materials	Chemicals	Commodity and speciality chemicals
	Forestry & Paper	Forestry, paper
	Industrial metals	Aluminium, non-ferrous metals, steel
	Mining	Coal, diamonds, gemstones, general mining, gold mining, platinum and precious metals
Industrials	Construction and materials	Building materials, fixtures, heavy construction
	Aerospace & defence	Aerospace and defence
	General industrials	Containers, packaging, diversified industrials
	Electronic & electrical equipment	Electrical components, equipment electronic equipment
	Industrial engineering	Commercial vehicles, trucks, industrial machinery
	Industrial transportation	Delivery services, marine transportation, railroads, transportation services, trucking
	Support services	Business support services, business training, employment agencies, financial administration, industrial suppliers, waste & disposal services
Consumer goods	Automobiles & parts	Automobiles, auto parts tires
	Beverages	Brewers, distillers & vintners, soft drinks
	Food Producers	Farming & fishing , food

		products
	Household goods	Durable household products, non durable household products, furnishings, home construction
	Leisure goods	Consumer electronics, recreation products, toys
	Personal goods	Clothing & accessories, footwear, personal products
	Tobacco	Tobacco
Health care	Health care equipment & services	Health care providers, medical equipment, medical supplies
	Pharmaceuticals & biotechnology	Biotechnology, pharmaceuticals
Consumer services	Food & drug retailers	Drug retailers, food retailers & wholesalers
	General retailers	Apparel retailers, broadline retailers, home improvement retailers, specialised consumer services, speciality retailers
	Media	Broadcasting & entertainment, media agencies, publishing
	Travel & leisure	Airlines, gambling, hotels, recreational services, restaurants, travel & tourism
Telecommunications	Fixed line communications	Fixed line communications
	Mobile telecommunications	Mobile telecommunications
Utilities	Electricity	Electricity
	Gas, water & multiutilities	Gas distribution, multiutilities, water
Financials	Banks	Banks
	Non-life insurance	Full insurance, insurance brokers, property & casualty insurance, reinsurance
	Life Insurance	Life insurance
	Real Estate	Real estate holding & development, real estate investment trusts
	General financial	Asset managers, consumer finance, speciality finance,

		investment services, mortgage finance
	Equity investment instruments	Equity investment instruments
	Non-equity investment instruments	Non-equity investment instruments
Technology	Software & computer services	Computer services, internet, software
	Technology hardware & equipment	Computer hardware, electronic office equipment, semiconductors, telecommunications equipment

Source: BVCA 2006: 46-67

Appendix 2 Pseudonyms and positions of Finance Agents Quoted in this Thesis

Name	Position
North East Finance Agents	
Brendan Meredith	Venture Capitalist/Fund Manager at Northern Venture Manager
Marvin Evans	Venture Capitalist/Fund manager at Northern Enterprise Limited (NEL)
Marcus Hunter	Venture Capitalist/Fund Manager at Nstar
Luke Wardle	Fund Manager/Venture Capitalist at UK Steel Enterprise
Shaun Farris	Corporate Financier at Codeworks
Frank Aspel	Corporate Financier at UNW
Brian Coulson	Senior Position in the Business Investors Group (BIG)
Howard Carter	BIG
Cliff Landles	BIG
Damon West	BIG
Aaron Lawrence	Technology Transfer Newcastle University
Daniel Simms	Corporate Financier Quantum Finance
Miriam Stoppard	The Alchemists
Dean Francis	RTC
Henry Potter	Entrust
Finance Professionals in the East Midlands	
Liam Perry	Senior Position in BioCentral
Jack Oliver	East Midlands Incubation Network EMIN
Dominic Lodge	Corporate Financier at Fusion Corporate Finance
Blake Sherwood	Business Angel at East Midlands Business Angel Network (EMBA)
Bill Lambert	Tech Transfer agent at Leicester University/Bus Angel

	and Entrepreneur
Vince Bell	Venture Capitalist/Fund Manager at Catapult
Hugh Mills	East Midlands Business Angel Network – EMBA
Gwendolen Pearl	Lachesis Fund
Arthur Moyer	Business Angel
Phil Swiss	Corporate Financier at Tenon Nottingham
Eddie Drake	Connect Midlands
Craig Alexander	Business Angel at Beer & Partners

Appendix 3 Entrepreneurs Interviewed and their Business Sector **(Informed by SIC codes)**

Sector	Name of East Midlands Entrepreneurs	Name of North East Entrepreneurs
Software Consultancy and Design	Braydon Bailey Olivia Shannon Nell Paige Louis Barnaby Ash Monroe Glen McBride Ewan Channel	Ryan Harley Nathan Knight Cherry Georgia Jacob Pugh Flynn Thornton Leo Lennon Alfie Klein Christopher Myles Joe Parrish Simon Flannigan Robbie Richardson
Manufacturing	Harry Freeman	Ned Dixon Jake Caldwell Connor Brooks Willow Valentine Callum Quinn Heath Carson
Product Design	Billie Brown Angus Webb Rhys Fox Cameron Olson Samuel Brewer	
Leisure/lifestyle		

	Aidan Keating	Joshua Strickland Alex Palmer - Bennett
Research and experimental development in natural sciences and engineering	Issac Greene Owen Perez Max Hart Bill Lambert	Piers Bishop
Railway Maintenance		Noah Crawford
Biochemical analysis and testing	Kit Madden	



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